

# **BITOU LOCAL MUNICIPALITY**

## **NOTICE:**

### **INFORMAL AUDIT COMMITTEE MEETING**

2 September 2008

**MEMBERS OF THE AUDIT COMMITTEE,  
Executive Mayor (For info)  
Auditor-General  
External Auditors  
The Internal Auditor  
The Chief Financial Officer**

### **INFORMAL AUDIT COMMITTEE MEETING TO BE HELD ON FRIDAY, 12 SEPTEMBER 2008 AT 9h00**

**NOTICE** is hereby given that an Informal Audit Committee Meeting will be held with the External Auditors in the **COUNCIL CHAMBER**, Municipal Offices, Plettenberg Bay on **FRIDAY, 12 SEPTEMBER 2008 at 9h00** to discuss the following:

- 1. AUDIT PLANNING**
- 2. DRAFT FINANCIAL STATEMENTS (Circulated herewith)**
- 3. OTHER**

Yours faithfully



**N METELERKAMP  
INTERNAL AUDITOR**

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### **COMMITTEE MEMBERS:**

Mrs N D Fikeni  
Mr A J Millerd  
Mr D A Mnweba  
Mr B Molefe  
Professor D C van Rooyen

# BITOU LOCAL MUNICIPALITY



## FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2008

**BITOU MUNICIPALITY**

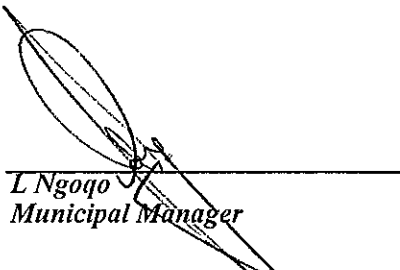
**ANNUAL FINANCIAL STATEMENTS**

**for the year ended**

**30 June 2008**

I am responsible for the preparation of these annual financial statements, which are set out on pages 1 to 85, in terms of Section 126 (1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors as disclosed in note 27 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.



L Ngoqo  
Municipal Manager

29-08-2008  
Date



## **GENERAL INFORMATION**

Executive Mayor  
Deputy Executive Mayor  
Speaker

Alderman L.L. Mvimbi  
Councillor L.M. Seyisi  
Councillor L. Luiters

Member of Executive  
Mayoral Committee

Alderman E.V. Wildeman

Ordinary Councillors

Councillor M. Booysen  
Councillor D. Grant  
Councillor M. Sishuba  
Councillor EE Paulse  
Councillor J Brummer  
Councillor VC Terblanche  
Councillor D Xego

**Grading of Local Authority**  
Grade 8

**Auditors**  
Auditor General

**Bankers**  
First National Bank, Plettenberg Bay

Municipal Offices  
Sewell Street

**Registered Office**  
Private Bag X 1002  
Plettenberg Bay  
Plettenberg Bay

Tel: (044) 501 3000  
Fax: (044) 533 3485

**Municipal Manager**  
Mr. LMR Ngoqo

**Chief Financial Officer**  
Mr. DD Lott

**BITOU MUNICIPALITY**  
**ANNUAL FINANCIAL STATEMENTS**  
for the year ended 30 June 2008  
**REPORT OF THE CHIEF FINANCIAL OFFICER**

**1. INTRODUCTION**

It is my privilege to present the financial reports of Bitou Municipality for the fiscal year 2007/08.

In rendering a corporate financial management service to all departments, the Finance Department's primary objective is to assist the Municipal Manager and senior management to manage their budgets and ensure the effective application of financial resources in rendering services to the community.

This is the first set of Financial Statements presented in terms of Generally Recognised Accounting Practices (GRAP) as promulgated by National Treasury.

In effect the figures reported in the 2006/07 Financial Statements have had to be restated to bring them in line with the 2007/08 GRAP results. (Refer to note 34)

This in turn makes year-on-year financial comparisons problematic because the 2005/06 adjustments have not been compared with prior years and, apart from an accounting and theoretical exercise, it would be futile, to compare them with the 2005/06 figures presented under IMFO standards.

**2. KEY FINANCIAL INDICATORS**

The percentages of expenditure categories are general within acceptable local government norms.

**Financial Statement Ratios:**

INDICATOR	2008	2007
Surplus / (Deficit) before Appropriations	131,071,857	89,332,186
Accumulated Surplus / (Deficit) at the end of the Year	15,911,921	20,622,239
Expenditure Categories as a percentage of Total Expenses:		
Employee Related Costs	30.69%	36.57%
Remuneration of Councillors	1.18%	1.93%
Bad Debts (Ratio based on budget amount due to abnormal provision)	3.11%	4.34%
Depreciation	7.92%	10.02%
Collection costs	0.00%	0.00%
Repairs and Maintenance	4.33%	5.67%
Interest Paid	2.17%	5.14%
Bulk Purchases	12.60%	14.85%
Grants and Subsidies Paid	12.41%	0.82%
General Expenses	23.68%	19.96%
Contracted services	1.90%	0.70%
Current Ratio:		
Creditors Days	15	29
Debtors Days	85	87

**3. OPERATING RESULTS**

Details of the operating results per segmental classification of expenditure are included in Appendix "D", whilst operating results per category of expenditure, together with an explanation of variances of more than 10% from budget, are included in Appendix "E (1)".

The overall operating results for the year ended 30 June 2008 are as follows:

DETAILS	Actual 2007/2008 R	Actual 2006/2007 R	Percentage Variance %	Budgeted 2007/2008 R	Variance actual/ budgeted %
Income:					
Opening surplus / (deficit)	131,071,857	89,332,186	46.72		
Operating income	192,526,307	156,472,166	23.04	180,872,975	6.44
Appropriations	2,930,869	21,117,432	-86.12	-	
	326,529,033	266,921,784	22.33	180,872,975	
Expenditure:					
Operating expenditure	176,614,386	135,849,927	30.01	168,665,913	4.71
Closing surplus / (deficit)	149,914,647	131,071,857	14.38	-	
	326,529,033	266,921,784	22.33	168,665,913	
	-	-			

See Annexure E (1) and E(2) for reasons for variances.

#### 4. FINANCING OF CAPITAL EXPENDITURE

The expenditure on Property, Plant and Equipment during the year amounted to R36 443 204

(2006/2007: R 5 257 045),

4.1 The capital expenditure of R 54 526 148 was financed as follows:

DETAILS	Actual 2007/2008 R	Budgeted 2007/2008 R	Percentage Variance %	Source of funding as % of total Cap exp
Capital Replacement Reserve	41,582,484	30,249,440	37.47	76.26
External Loans	-	9,985,000	-100.00	0.00
Grants and Subsidies	12,943,665	15,782,328	-17.99	23.74
	<u>54,526,148</u>	<u>56,016,768</u>		<u>100</u>

4.2 Capital expenditure per department:

DEPARTMENT	Actual 2007/2008 R	Budgeted 2007/2008 R	Variance actual/ budgeted R
Community Services	358,953	391,940	(32,987)
Executive and Council	188,428	382,200	(193,772)
Aerodrome	1,114,645	-	1,114,645
Electricity	10,301,428	9,685,000	616,428
Planning and Development	27,339	48,000	(20,661)
Finance and Administration	919,673	535,000	384,673
Public Safety	502,968	1,887,000	(1,384,032)
Housing	3,029,998	5,203,765	(2,173,767)
Parks and Recreational	982,089	678,300	303,789
Refuse Removal	476,334	3,045,000	(2,568,666)
Roads and Stormwater	14,176,803	11,940,000	2,236,803
Sewerage	8,109,817	8,312,000	(202,183)
Water	14,337,674	13,908,563	429,111
	<u>54,526,148</u>	<u>56,016,768</u>	<u>(1,490,620)</u>

Details of the results per segmental classification of capital expenditure are included in Appendix "C", together with an explanation of variances of

#### 5 LONG-TERM LIABILITIES

The outstanding amount of long-term liabilities as at 30 June 2007 was R 35 298 646 (30 June 2007: R 38 215 517). No new loans were taken up.

Refer to Note 2 and Appendix "A" for more detail.

#### 6 CURRENT LIABILITIES

Current liabilities amounted to R48,9 million as at 30 June 2008 (30 June 2007: R37,5 million) and are made up as follows:

Consumer Deposits	Note 5	3,490,877
Creditors	Note 7	16,639,697
Unspent Public Contributions	Note 8	19,304,721
Bank overdraft	Note	3,096,264
Current portion of Deferred income	Note 3	3,754,771
Current portion of long-term liabilities	Note 4	2,673,272
		<u>48,959,602</u>

Current liabilities are those liabilities of the municipality due and payable in the short-term (less than 12 months). There is no known reason as to why the municipality will not be able to meet its obligations.

Refer to the indicated Notes for more detail.

#### 7 INTANGIBLE ASSETS

The net value of Intangible Assets were R 68 380 as at 30 June 2008 (30 June 2007: R 119 408 ).

These are assets which cannot physically be identified and verified and are all in respect of *water rights / servitudes* obtained by the municipality in

Refer to Note number 8 for more detail.

#### 8 PROPERTY, PLANT AND EQUIPMENT

The net value of Property, Plant and Equipment was R 183,5 million as at 30 June 2008 (30 June 2007: R 143,2 million ).

Refer to Note 10 and Appendices "B, C and E (2)" for more detail.

## 9 INVESTMENTS

The municipality held investments to the value of R 60 ,2 million. as at 30 June 2008 (30 June 2007: R 59,1 million).

R 3,064 million of these investments are ring-fenced for purposes of the security for and repayment of long-term liabilities.

Refer to Notes 12 and 18 for more detail.

## 10 CURRENT ASSETS

Current Assets amounted to R 84,3 million at 30 June 2008 (30 June 2007: R 87,4) and are made up as follows:

Inventory	Note 14	5,436,569
Consumer Debtors	Note 15	11,781,881
Other Debtors	Note 16	3,657,775
Current Portion of Long-term Receivables	Note 13	297,231
Call Investment Deposits	Note 18	57,118,516
VAT	Note 17	6,009,849
Bank Balances and Cash	Note 36	6,208
		<u>84,308,029</u>

Refer to the indicated Notes for more detail.

## 11 INTER-GOVERNMENTAL GRANTS

The municipality plays an important role in the upliftment of the poor and the provision of infrastructure for all its citizens, for which grants received from government and other organisations, are entrusted to the stewardship of the municipality.

Refer to Notes 8 and Annexure F for more detail on grants and subsidies received and expended.

## 12 EXPRESSION OF APPRECIATION

Herewith my appreciation to the Executive Mayor, Executive Deputy Mayor, Members of the Executive Committee, Councillors, the Municipal Manager and Heads of Departments for their support extended during the financial year.

The impact of GRAP will not be limited to the Finance Department but will affect the business management of this Council and its departments, placing far greater responsibility for corporate planning, reporting and financial administration where it will have the greatest effect. This requires additional skills to be established in departments and will require additional staff to be employed with concomitant costs.

As stated previously these are the first financial reports under the new GRAP standards. The work involved has been highly complex and technical and therefore my thanks to all those who have contributed their hard work and dedication to enable this report to be tabled.



CHIEF FINANCIAL OFFICER  
29 August 2008

**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR  
ENDED 30 JUNE 2008**

**1. BASIS OF PRESENTATION**

The Annual Financial Statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practices (GRAP) and the Standards of Generally Accepted Municipal Accounting Practices (GAMAP) prescribed by the Minister of Finance in terms of:

- ◆ General Notice 991 of 2005, issued in Government Gazette no 28095 of 15 December 2005; and
- ◆ General Notice 992 of 2005, issued in Government Gazette no 28095 of 7 December 2005.

The Standards are summarised as follows:

GRAP 1	Presentation of Financial Statements
GRAP 2	Cash Flow Statements
GRAP 3	Accounting Policies, Changing in Accounting Estimates and Errors
GAMAP 4	Effects of Changes in Foreign Exchange Rates
GAMAP 6	Consolidated Financial Statements and Accounting for Controlled Entities
GAMAP 7	Accounting for Investments in Associates
GAMAP 8	Financial Reporting of Interests in Joint Ventures
GAMAP 9	Revenue
GAMAP 12	Inventories
GAMAP 17	Property, Plant and Equipment
GAMAP 19	Provisions, Contingent Liabilities and Contingent Assets
GAMAP 6, 7 and 8 have been complied with to the extent that the requirements in these standards relate to the municipality's separate financial statements.	

Accounting Policies for material transactions, events or conditions not covered by the above GRAP and GAMAP Standards have been developed in accordance with paragraphs 7, 11 and 12 of GRAP 3. These Accounting Policies and the applicable disclosures have been based on the South African Statements of Generally Accepted Accounting Practices (SA GAAP), including any interpretations of such Statements issued by the Accounting Practices Board.

The Minister of Finance has, in terms of General Notice 522 of 2007 exempted compliance with certain of the above mentioned standards and aspects or parts of these standards. Details of the exemptions applicable to the municipality have been provided in the notes to the Annual Financial Statements.

The entity has elected to early adopt the following requirement(s) in GRAP, GAMAP or SA GAAP, which were exempted in terms of General notice 522 of 2007:

Standard no.	Standard title	GRAP, GAMAP and/or SA GAAP requirement(s), exempted in terms of General notice 522 of 2007, that have been early adopted
GAMAP 09	Revenue	<ul style="list-style-type: none"> <li>▪ Initial measurement of fair value; discounting all future receipts using an imputed rate of return (GAMAP 9.12 and SAICA circular 9/06)</li> </ul>
IAS 11 (AC 109)	Construction contracts	<ul style="list-style-type: none"> <li>▪ Entire standard</li> </ul>
IAS 20 (AC 134)	Accounting for government grants and disclosure	<ul style="list-style-type: none"> <li>▪ Entire standard excluding paragraphs 24 and 26, replaced by GAMAP 12.8, GAMAP 17.25 and GAMAP 9.42 – 46.</li> </ul>



IFRS 3 (AC 140)	Business combinations	▪ Entire standard
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Accounting Policies have been consistently applied.

The following are the critical judgements that the management have made in the process of applying the municipality's Accounting Policies and that have the most significant effect on the amounts recognised in Annual Financial Statements:

- **Revenue Recognition**

Accounting Policy clause 13.1 on *Revenue from Exchange Transactions* and Accounting Policy clause 13.2 on *Revenue from Non-exchange Transactions* describes the conditions under which revenue will be recorded by the management of the municipality.

In making their judgement, the management considered the detailed criteria for the recognition of revenue as set out in GAMAP 9: *Revenue* and, in particular, whether the municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services is rendered, whether the service has been rendered. The management of the municipality is satisfied that recognition of the revenue in the current year is appropriate.

- **Operating Lease Commitments – as Lessor**

The municipality has entered into commercial property leases on its Property, Plant and Equipment portfolio. The municipality has determined that it retains all the significant risks and rewards of ownership of these properties and so accounts for them as operating leases.

The Annual Financial Statements are prepared on an accrual basis of accounting and are in accordance with historical cost convention, except where indicated otherwise.

## 2. PRESENTATION CURRENCY

The Annual Financial Statements are presented in South African Rand, rounded off to the nearest Rand.

## 3. GOING CONCERN ASSUMPTION

The Annual Financial Statements have been prepared on a going concern basis.

## 4. OFFSETTING

Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a Standard of GAMAP, GRAP or GAAP.

## 5. HOUSING DEVELOPMENT FUND

The Housing Development Fund was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from National and Provincial Government used to finance housing selling schemes undertaken by the municipality were extinguished on 1 April 1998 and transferred to the Housing Development Fund.

Housing selling schemes, both complete and in progress as at 1 April 1998, were also transferred to the Housing Development Fund.

In terms of the Housing Act, all proceeds from housing developments, which include rental income and sales of houses, must be paid into the Housing Development Fund. Monies standing to the credit of the Housing Development Fund can be used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

## 6. PROPERTY, PLANT AND EQUIPMENT

### 6.1 Measurement

Property, plant and equipment is stated at cost, less accumulated depreciation and accumulated impairment, or at fair value where assets have been acquired by grant or donation.

Subsequent expenditure relating to property, plant and equipment is capitalised if it is probable that future economic benefits or potential service delivery of the asset are enhanced in excess of the originally assessed standard of performance. If expenditure only restores the originally best estimate of the expected useful life of the asset, then it is regarded as repairs and maintenance and is expensed.

Land and buildings are not revalued.

### 6.2 Depreciation

Depreciation is calculated on cost, using the straight line method, over the estimated useful lives of the assets. The depreciation rates are based on the following estimated useful lives.

Depreciation only commences when the asset is brought into use, unless stated otherwise.

	Years		Years
<b>Infrastructure</b>		<b>Other</b>	
Roads and Paving	30	Buildings	30
Pedestrian Malls	30	Specialist Vehicles	10
Electricity	20-30	Other Vehicles	5
Water	15-20	Office Equipment	3-7
Sewerage	15-20	Furniture and Fittings	7-10
Housing	30	Watercraft	15
Landfill Sites	30	Bins and Containers	5
		Specialised Plant and	
<b>Community</b>		Equipment	10-15
Improvements	30	Other Plant and Equipment	2-5
Recreational Facilities	20-30		
Security	5		

The estimated useful lives and the depreciation methods was not reviewed in the previous and current financial years as required by GAMAP 17 as these requirements have been exempted in terms of General Notice 522 of 2007.

### **6.2.1 Land**

Land is not depreciated as it is regarded as having an infinite life.

### **6.2.2 Incomplete Construction Work**

Incomplete construction work is stated at historical cost. Depreciation only commences when the asset is commissioned into use.

### **6.2.3 Finance Leases**

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

### **6.2.4 Heritage Assets**

Heritage assets, which are culturally significant resources and which are shown at cost, are not depreciated owing to uncertainty regarding to their estimated useful lives.

## **6.3 Disposal of property, plant and equipment**

- ◆ The book values of assets are written off on disposal.
- ◆ The difference between the net book value of assets (cost less accumulated depreciation and accumulated impairment losses) and the sales proceeds is included in the Statement of Financial Performance as a gain or loss on disposal of property, plant and equipment.

## **6.4 Impairment**

For the previous and current year under review, the municipality did not perform impairment testing on its assets as required by GAMAP 17 and IAS 36/AC128, as these requirements have been exempted in terms of General Notice 522 of 2007.

## **6.5 Landfill Sites**

The Municipality has an obligation to rehabilitate its landfill sites in terms of its licence stipulations. Provision is made for this obligation in accordance with the Municipality's Accounting Policy on non-current provisions – see Accounting Policy clause 15 on Provisions. Rehabilitation costs capitalised to the cost of the landfill site, are written off on a straight-line basis over the estimated useful lives of the site.

## **7. INTANGIBLE ASSETS**

Identifiable non-monetary assets without physical substance held for use in the production or supply of goods or services, for rental to others, or for administrative purposes are classified and recognised as intangible assets.

Intangible assets acquired separately or internally generated are reported at cost less accumulated amortisation and accumulated impairment losses.

Amortisation is charged on a straight-line basis over their useful lives, which is estimated to be between 3 to 5 years. Where intangible assets are deemed to have an indefinite useful life, such intangible assets are

not amortised, for example servitudes obtained by the municipality give the municipality access to land for specific purposes for an unlimited period. Servitudes are therefore not amortised or impaired.

Intangible assets are annually tested for impairment.

Where items of intangible assets have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified except where the impairment reverses a previous revaluation.

The estimated useful life and amortisation method are reviewed annually at the end of the financial year. Any adjustments arising from the annual review are applied prospectively.

However for the current and the prior financial year, the municipality did not capitalise Intangible Assets other than website costs and software as is required by IAS38/AC129 as these requirements have been exempted in terms of General notice 522 of 2007.

## 8. INVESTMENT PROPERTY

Land and/or buildings that meet the “*Investment Property*” definition have in the current and prior years been accounted for in accordance with GAMAP 17. The requirements of IAS40/AC135 have been exempted in terms of General notice 522 of 2007.

## 9. FINANCIAL INSTRUMENTS

The municipality has various types of financial instruments and these can be broadly categorised as either *Financial Assets* or *Financial Liabilities*.

### 9.1 Financial Assets

A financial asset is any asset that is a cash or contractual right to receive cash. The municipality has the following types of financial assets as reflected on the face of the Statement of Financial Position or in the notes thereto:

- ◆ Investments in Fixed Deposits (Banking Institutions, etc)
- ◆ Long-term Receivables
- ◆ Consumer Debtors
- ◆ Other Debtors
- ◆ Short-term Investment Deposits
- ◆ Bank Balances and Cash

In accordance with IAS 39.09 the *Financial Assets* of the municipality are classified as follows into the four categories allowed by this standard:

Type of Financial Asset	Classification in terms of IAS 39.09
Short-term Investment Deposits – Call	Available for sale
Bank Balances and Cash	Available for sale
Long-term Receivables	Loans and receivables
Consumer Debtors	Loans and receivables
Other Debtors	Loans and receivables
Investments in Fixed Deposits	Held to maturity
Short-term Investment Deposits – Notice	Held to maturity

*Financial assets at fair value through profit or loss* are financial assets that meet either of the following conditions:

- ♦ they are classified as held for trading; or
- ♦ upon initial recognition they are designated as at fair value through the Statement of Financial Performance.

*Available for sale investments* are financial assets that are designated as available for sale or are not classified as:

- ♦ Loans and Receivables;
- ♦ Held-to-Maturity Investments; or
- ♦ Financial Assets at fair value through the Statement of Financial Performance.

*Loans and Receivables* are financial assets that are created by providing money, goods or services directly to a debtor.

*Held-to-Maturity Investments* are financial assets with fixed or determinable payments and fixed maturity where the municipality has the positive intent and ability to hold the investment to maturity.

## 9.2 Financial Liabilities

A financial liability is a contractual obligation to deliver cash or another financial asset to another entity. The municipality has the following types of financial liabilities as reflected on the face of the Statement of Financial Position or in the notes thereto:

- ♦ Long-term Liabilities
- ♦ Creditors
- ♦ Unspent Conditional Grants and Receipts
- ♦ Bank Overdraft
- ♦ Short-term loans
- ♦ Current Portion of Long-term Liabilities
- ♦ Consumer Deposits
- ♦ VAT

There are two main categories of *Financial Liabilities*, the classification based on how they are measured. Financial liabilities may be measured at:

- (i) Fair value through profit or loss; or
- (ii) Not at fair value through profit or loss ('other financial liabilities')

Financial liabilities that are measured at fair value through profit or loss are financial liabilities that are essentially held for trading (i.e. purchased with the intention to sell or repurchase in the short term; derivatives other than hedging instruments or are part of a portfolio of financial instruments where there is recent actual evidence of short-term profiteering or are derivatives). Financial liabilities that are measured at fair value through profit or loss are stated at fair value, with any resulted gain or loss recognised in the Statement of Financial Performance.

Any other financial liabilities should be classified as financial liabilities that are not measured at fair value through profit or loss are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

In accordance with IAS 39.09 the *Financial Liabilities* of the municipality are all classified as financial liabilities that are not measured at fair value through profit or loss.

Creditors

Creditors and Other Payables are stated at their nominal value.

### *9.3 Measurement*

Financial Instruments in the current and prior years are recognised and measured at cost. The requirement of IAS 39.43, AG 64, AG 65, AG 79 and SAICA Circular 9 that financial instruments should initially be measured at fair value has been exempted in terms of General Notice 522 of 2007.

### *9.4 Impairment of Financial Assets*

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence of impairment of Financial Assets. If there is such evidence the recoverable amount is estimated and an impairment loss is recognised in accordance with IAS 39.

Initially Accounts Receivable are valued at fair value and subsequently carried at amortised cost using the effective interest rate method. An estimate is made for doubtful debt based on past default experience of all outstanding amounts at year-end. Bad debts are written off the year in which they are identified as irrecoverable. Amounts receivable within 12 months from the date of reporting are classified as current.

A provision for impairment of trade receivables is established when there is objective evidence that the municipality will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate.

Consumer Debtors are stated at cost less a provision for bad debts. The provision is made in accordance with IAS 39.64 whereby the recoverability of Consumer Debtors is assessed collectively after grouping the assets in financial assets with similar credit risks characteristics. Government accounts are not provided for as such accounts are regarded as payable.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in the Statement of Financial Performance.

With the exception of Available-for-Sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the Statement of Financial Performance to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of Available-for-Sale equity securities, impairment losses previously recognised through profit or loss are not reversed through the Statement of Financial performance. Any increase in fair value subsequent to an impairment loss is recognised directly in equity.

**Loans and Receivables** are non-derivative Financial Assets with fixed or determinable payments. They are included in current assets, except for maturities greater than 12 months, which are classified as non-current assets. Loans and receivables are recognised initially at cost which represents fair value. After initial recognition Financial Assets are measured at amortised cost, using the effective interest rate method less a provision for impairment.

### *9.5 Derecognition of Financial Assets*

The municipality derecognises Financial Assets only when the contractual rights to the cash flows from the asset expires or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity, except when Council approves the write-off of Financial Assets due to non recoverability.

If the municipality neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the municipality recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the municipality retains substantially all the risks and rewards of ownership of a transferred financial asset, the municipality continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

### *9.6 Derecognition of Financial Liabilities*

The municipality derecognises Financial Liabilities when, and only when, the municipality's obligations are discharged, cancelled or they expire.

## **10. RISK MANAGEMENT OF FINANCIAL ASSETS AND LIABILITIES**

It is the policy of the municipality to disclose information that enables the user of its financial statements to evaluate the nature and extent of risks arising from financial instruments to which the municipality is exposed on the reporting date.

Risks and exposure are disclosed as follows:

#### **Credit Risk**

- Each class of financial instrument is disclosed separately.
- Maximum exposure to credit risk not covered by collateral is specified.
- Financial instruments covered by collateral is specified.

#### **Liquidity Risk**

- A maturity analysis for financial assets and liabilities that shows the remaining contractual maturities.
- Liquidity risk is managed by ensuring that all assets are reinvested at maturity at competitive interest rates in relation to cash flow requirements. Liabilities are managed by ensuring that all contractual payments are met on a timeous basis and, if required, additional new arrangements are established at competitive rates to ensure that cash flow requirements are met.
- A maturity analysis for financial liabilities (where applicable) that shows the remaining contractual maturities is disclosed in Appendix A to the annual financial statements.

The entire IFRS 7 / IAS 144 have been exempted in terms of General notice 522 of 2007. However, according to the afore-mentioned General notice, this standard is to be replaced by IAS 32/ (AC 125) issued August 2006 and effective for financial statements covering periods beginning on or after 1 January 1998. Thus the old IAS 32/ (AC 125) are still applicable. The requirements of the latter standard have been applied for both the previous and current financial years. This accounting policy is in accordance with the exemptions stated in the above-mentioned General notice.

## **11. INVENTORIES**

Consumable stores, raw materials, work-in-progress and finished goods are valued at the lower of cost and net realisable value. In general, the basis of determining cost is the weighted average cost of commodities. If inventories are to be distributed at no charge or for a nominal charge they are valued at the lower of cost and current replacement cost.

Water and purified effluent are valued at purified cost insofar as it is stored and controlled in reservoirs at year-end. Water not purchased by the municipality are not valued as this requirement of GAMAP 12 has been has been exempted in terms of General Notice 522 of 2007.

Unsold properties are valued at the lower of cost and net realisable value on a weighted average cost basis. Direct costs are accumulated for each separately identifiable development. Costs also include a proportion of overhead costs.

Cost of inventory comprises all costs of purchase, cost of conversion and other cost incurred in bringing the inventory to its present location and condition.

Redundant and slow-moving inventories are identified and written down from cost to net realisable value with regard to their estimated economic or realisable values and sold by public auction.

## **12. ASSETS HELD-FOR-SALE**

The requirements of IFRS 5: Non-Current Assets Held for Sale (IFRS 5.6 – 29 (in so far as it relates to non-current assets held for sale) and 38 – 42) on the classification, measurement and disclosure of non-current assets held for sale have been exempted in terms of General Notice 522 of 2007. Therefore assets held for sale has not been identified in the current and previous financial years under review.

## **13. REVENUE RECOGNITION**

Revenue, excluding value-added taxation where applicable, is derived from a variety of sources which include rates levied, grants from other tiers of government and revenue from trading activities and other services provided. Revenue is recognised when it is probable that future economic benefits or service potential will flow to the municipality and these benefits can be measured reliably, except when specifically stated otherwise.

### *13.1 Revenue from Exchange Transactions*

#### **13.1.1 Service Charges**

Service charges relating to electricity and water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption, based on the consumption history, are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. In respect of estimates of consumption between the last reading date and the reporting date, an accrual is made based on the average monthly consumption of consumers.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property



usage, and are levied monthly based on the number of refuse containers on each property, regardless of whether or not all containers are emptied during the month.

Service charges from sewerage and sanitation are based on the type of service and the number of sewer connections on all developed property, using the tariffs approved by Council and are levied monthly.

In circumstances where services cannot readily be measured and quantified, a flat rate service charge is levied monthly on such properties.

#### **13.1.2 Pre-paid Electricity**

Revenue from the sale of electricity pre-paid meter cards are recognised at the point of sale, when the sale is affected.

#### **13.1.3 Interest earned and Rentals received**

Interest and rentals are recognised on a time proportion basis that takes into account the effective yield on the investment. Interest may be transferred from the Accumulated Surplus to the Housing Development Fund.

#### **13.1.4 Dividends**

Dividends are recognised on the date that the municipality becomes entitled to receive the dividend in accordance with the substance of the relevant agreement, where applicable.

#### **13.1.5 Royalties**

Royalties are recognised on an accrual basis in accordance with the substance of the relevant agreement. Royalties determined on a time basis are recognised on a straight-line basis over the period of the agreement. Royalty arrangements that are based on production, sales and other measures are recognised by reference to the underlying arrangement.

#### **13.1.6 Tariff Charges**

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant authorised tariff. This includes the issuing of licences and permits.

#### **13.1.7 Income from Agency Services**

Income for agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified. The income recognised is in terms of the agency agreement.

#### **13.1.8 Housing Rental and Instalments**

Finance income from the sale of housing by way of instalment sales agreements or finance leases is recognised on a time proportion basis.

#### **13.1.9 Sale of Goods**

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- ♦ The municipality has transferred to the buyer the significant risks and rewards of ownership of the goods.

- ◆ The municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.
- ◆ The amount of revenue can be measured reliably.
- ◆ It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality.
- ◆ The costs incurred or to be incurred in respect of the transaction can be measured reliably.

### *13.2 Revenue from Non-exchange Transactions*

#### **13.2.1 Rates and Taxes**

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportion basis with reference to the principal amount receivable and effective interest rate applicable. A composite

rating system charging different rate tariffs is employed. Rebates are granted to certain categories of ratepayers and are deducted from revenue.

#### **13.2.2 Fines**

Revenue from the issuing of summonses is only recognised when collected by the courts. Due to the various legal processes that can apply to summonses and the inadequate information received from the courts, it is not possible to measure this revenue when the summons is issued.

#### **13.2.3 Donations and Contributions**

Donations are recognised on a cash receipt basis or where the donation is in the form of property, plant and equipment, when the risks or rewards of ownership have transferred to the municipality.

#### **13.2.4 Revenue from Recovery of Unauthorised, Irregular, Fruitless and Wasteful Expenditure**

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain. Such revenue is based on legislated procedures.

### **14. CONDITIONAL GRANTS AND RECEIPTS**

Income received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

Interest earned on investments is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor and if it is the municipality's interest it is recognised as interest earned in the Statement of Financial Performance.

#### *14.1 Grants and Receipts of a Revenue Nature*

Income is transferred to the Statement of Financial Performance as revenue to the extent that the criteria, conditions or obligations have been met. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the municipality with no future related costs are recognised in the Statement of Financial Performance in the period in which they become receivable.

#### *14.2 Grants and Receipts of a Capital Nature*

Income from Government Grants whose primary condition is that the municipality should purchase, construct or otherwise acquire non-current assets are recognised as deferred income under non-current liabilities in the Statement of Financial Position to the extent that the criteria, conditions or obligations have been met and is credited to the Statement of Financial Performance on a straight-line basis over the expected useful lives of the related asset.

### **15. PROVISIONS**

Provisions are recognised when the municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the obligation.

Provisions are reviewed at reporting sheet date and adjusted to reflect the current best estimate. When the effect of discounting is material, provisions are determined by discounting the expected future cash flows that reflect current market assessments of the time value of money. The impact of the periodic unwinding of the discount is recognised in the Statement of Financial Performance as a finance cost as it occurs.

### **16. EMPLOYEE BENEFITS**

#### *16.1 Short-term Employee Benefits*

Remuneration to employees is recognised in the Statement of Financial Performance as the services are rendered, except for non-accumulating benefits which are only recognised when the specific event occurs.

The costs of all short-term employee benefits such as leave pay, are recognised during the period in which the employee renders the related service. The municipality recognises the expected cost of performance bonuses only when the municipality has a present legal or constructive obligation to make such payment and a reliable estimate can be made.

#### *16.2 Defined Contribution Plans*

A **defined contribution plan** is a plan under which the municipality pays fixed contributions into a separate entity. The municipality has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to service in the current or prior periods.

The municipality's contributions to the defined contribution funds are established in terms of the rules governing those plans. Contributions are recognised in the Statement of Financial Performance in the period in which the service is rendered by the relevant employees.

#### *16.3 Defined Benefit Plans*

A **defined benefit plan** is a plan that defines an amount of benefit that an employee will receive on retirement. In terms of exemptions granted in terms of General notice 522 of 2007, the Municipality accounted for all its defined benefit plans as defined contribution plans for the current and prior financial years.

#### *16.4 Provincially-administered Defined Benefit Plans*

The municipality contributes to various National- and Provincial-administered Defined Benefit Plans on behalf of its qualifying employees. These funds are multi-employer funds (refer to Note 45 of the Annual Financial Statements for details). The contributions to fund obligations for the payment of retirement

benefits are charged against revenue in the year they become payable. These defined benefit funds are actuarially valued triennially on the Projected Unit Credit Method basis. Deficits are recovered through lump sum payments or increased future contributions on a proportional basis from all participating municipalities.

## **17. LEASES**

### *17.1 The Municipality as Lessee*

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Property, plant and equipment subject to finance lease agreements are capitalised at their cash cost equivalent. Corresponding liabilities are included in the Statement of Financial Position as Finance Lease Obligations. The cost of the item of property, plant and equipment is depreciated at appropriate rates on the straight-line basis over its estimated useful life. Lease payments are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals for the current and previous financial year were recognised on the straight-line basis over the term of the relevant lease. The requirement of IAS 17.33 – 34 and 50 – 51, SAICA circular 12/06.8 – 11 that Operating lease payments should be recognised on a straight line basis has been exempted in terms of General Notice 522 of 2007.

### *17.2 The Municipality as Lessor*

Operating lease rental income is recognised on a straight-line basis over the term of the relevant lease. The requirement of IAS 17.33 – 34 and 50 – 51, SAICA circular 12/06.8 – 11 that Operating leases receipts should be recognised on a straight line basis has been exempted in terms of General Notice 522 of 2007.

## **18 BORROWINGS**

Borrowing costs are recognised as an expense in the Statement of Financial Performance.

## **19. GRANTS-IN-AID**

The municipality transfers money to individuals, organisations and other sectors of government from time to time. When making these transfers, the municipality does not:

- ♦ receive any goods or services directly in return, as would be expected in a purchase or sale transaction;
- ♦ expect to be repaid in future; or
- ♦ expect a financial return, as would be expected from an investment.

These transfers are recognised in the Statement of Financial Performance as expenses in the period that the events giving rise to the transfer occurred.

## **20. VALUE ADDED TAX**

The Municipality accounts for Value Added Tax on the cash basis.

## **21. CASH AND CASH EQUIVALENTS**

Cash includes cash-on-hand and cash with banks. Cash equivalents are short-term highly liquid investments that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks and investments in financial instruments, net of bank overdrafts.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdrafts are expensed as incurred.

## **22. UNAUTHORISED EXPENDITURE**

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No 56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

## **23. IRREGULAR EXPENDITURE**

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No 56 of 2003), the Municipal Systems Act (Act No 32 of 2000), the Public Office Bearers Act (Act No 20 of 1998) or is in contravention of the Municipality's or Municipal Entities' supply chain management policies. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

## **24. FRUITLESS AND WASTEFUL EXPENDITURE**

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

## **25. FOREIGN CURRENCIES**

Transactions in foreign currencies are initially recorded at the prevailing exchange rate on the dates of the transactions. Monetary assets and liabilities denominated in such foreign currencies are retranslated at the rates prevailing at the reporting date. Exchange differences are included in the Statement of Financial Performance.

## **26. CHANGES IN ACCOUNTING POLICIES, ESTIMATES AND ERRORS**

Changes in Accounting Policies that are affected by management have not in all cases been applied retrospectively as is required by GRAP 3 as this requirement has been exempted in terms of General Notice 522 of 2007.

Changes in Accounting Estimates are applied prospectively in accordance with GRAP 3 requirements. Details of changes in estimates are disclosed in the Notes to the Annual Financial Statements where applicable.

Correction of Errors is applied retrospectively in the period in which the error has occurred in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the error. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable. Refer to Note 34 to the Annual Financial Statements for details of corrections of errors recorded during the period under review,

## **27. RELATED PARTIES**

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. Key management personnel is defined as the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

## **28. EVENTS AFTER THE REPORTING DATE**

Events after the reporting date that are classified as adjusting events have been accounted for in the Annual Financial Statements. The events after the reporting date that are classified as non-adjusting events after the reporting date have been disclosed in the notes to the Annual Financial Statements.

## **30. COMPARATIVE INFORMATION**

### *30.1 Current year comparatives*

Budgeted amounts have been included in the Annual Financial Statements for the current and prior financial years.

### *30.2 Prior year comparatives*

When the presentation or classification of items in the Annual Financial Statements is amended, prior period comparative amounts are reclassified. The nature and reasons for the reclassification are disclosed.

# BITOU MUNICIPALITY

## STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2008

	Note	2008 R	2007 R
<b>NET ASSETS AND LIABILITIES</b>			
Net assets		149,914,647	131,071,857
Accumulated Surplus/(Deficit)	2	149,914,647	131,071,857
<b>Non-current liabilities</b>		<b>73,067,441</b>	<b>66,336,075</b>
Deferred revenue	3	40,442,067	31,253,173
Long-term liabilities	4.	32,625,374	35,082,902
<b>Current liabilities</b>		<b>48,959,602</b>	<b>37,516,346</b>
Consumer deposits	5	3,490,877	3,372,934
Creditors	7.	16,639,697	18,041,613
Unspent conditional grants and receipts	8.	19,304,721	9,387,991
VAT	9.	-	-
Bank overdraft	36	3,096,264	-
Current portion of deferred income	3	3,754,771	3,581,193
Current portion of long-term liabilities	4.	2,673,272	3,132,615
<b>Total Net Assets and Liabilities</b>		<b>271,941,690</b>	<b>234,924,278</b>
<b>ASSETS</b>			
<b>Non-current assets</b>		<b>187,633,661</b>	<b>147,548,078</b>
Property, plant and equipment	10	183,480,466	143,193,824
Intangible Assets	11	68,380	119,408
Investments	12	3,064,305	2,800,560
Long-term receivables	13	1,020,510	1,434,286
<b>Current assets</b>		<b>84,308,029</b>	<b>87,376,200</b>
Inventory	14.	5,436,569	8,993,968
Consumer debtors	15	11,781,881	10,602,372
Other debtors	16	3,657,775	2,914,371
VAT	17.	6,009,849	4,367,764
Call investment deposits	18.	57,118,516	56,312,884
Current portion of long-term receivables	13	297,231	562,037
Bank balances and cash	36	6,208	3,622,804
<b>Total Assets</b>		<b>271,941,690</b>	<b>234,924,278</b>

**BITOU MUNICIPALITY**  
**STATEMENT OF FINANCIAL PERFORMANCE**  
**FOR THE YEAR ENDED 30 JUNE 2008**

	Note	2008 R	2007 R
<b>REVENUE</b>			
Property rates	20.	47,169,774	43,359,134
Interest earned Property rates	21	2,123,630	1,120,950
Service charges	22.	88,727,078	83,997,961
Rental of facilities and equipment	23.	674,365	944,142
Interest earned - external investments	21	8,472,289	1,516,881
Fines		4,630,276	3,924,812
Licences and permits		26,341	27,079
Government grants and subsidies		33,890,778	15,710,331
Other income	25.	6,811,776	5,870,876
<b>Total Revenue</b>		<b>192,526,307</b>	<b>156,472,166</b>
<b>EXPENDITURE</b>			
Employee related costs	26.	54,205,834	49,676,444
Remuneration of Councillors	27.	2,079,949	2,622,481
Impairment loss	28.	5,493,631	5,900,000
Collection costs		-	-
Depreciation and Amortisation	29.	13,988,353	13,609,794
Repairs and maintenance		7,646,726	7,702,810
Interest paid	30.	3,835,926	6,978,199
Bulk purchases	31.	22,255,299	20,178,498
Contracted services		3,359,731	950,355
Grants and subsidies paid	32.	21,925,334	1,117,662
General expenses	33	41,823,602	27,112,852
<b>Total Expenditure</b>		<b>176,614,386</b>	<b>135,849,095</b>
<b>SURPLUS/(DEFICIT) FOR THE YEAR</b>		<b>15,911,921</b>	<b>20,623,071</b>
<b>DISCONTINUED OPERATIONS</b>			
Inter- Departmental Charges			(832)
<b>SURPLUS FOR THE YEAR</b>		<b>15,911,921</b>	<b>20,622,239</b>
Refer to Appendix E (1) for explanation of variances			



**BITOU MUNICIPALITY**

**STATEMENT OF CHANGES IN NET ASSETS**  
**FOR THE YEAR ENDED 30 JUNE 2008**

	Accumulated Surplus/ (Deficit) R	Total R
<b>2007</b>		
Balance at 1 July 2006	89,332,186	89,332,186
Surplus/(deficit) for the year	20,757,499	20,757,499
Implimentation of GRAP	9,648,741	9,648,741
Other (see note 2 for detail)	11,333,431	11,333,431
Restated balance	131,071,857	131,071,857
Restated Surplus/(deficit) for the year		
<b>Balance at 30 June 2007</b>	<b>131,071,857</b>	<b>131,071,857</b>
<b>2008</b>		
Surplus/(deficit) for the year	15,911,921	15,911,921
Other (see note 2 for detail)	2,930,869	2,930,869
<b>Balance at 30 June 2008</b>	<b>149,914,647</b>	<b>149,914,647</b>

Detail on the movement of funds and reserves is set out in note 2:

**BITOU MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED 30 JUNE 2008**

**3 DEFERRED REVENUE**

	Total Deferred Revenue R
<b>30 June 2008</b>	
Balance at beginning of year	34,834,366
Additions during year	12,943,665
Sub-total	47,778,031
Less : Transfer to Income	3,581,193
Balance at end of year	44,196,838
Less: Current portion transferred to current liabilities	3,754,771
<b>Total Deferred Revenue</b>	<b>40,442,067</b>
<b>30 June 2007</b>	
Balance at beginning of year	28,718,070
Additions during year	9,884,240
Sub-total	38,602,310
Less : Transfer to Income	3,767,944
Balance at end of year	34,834,366
	3,581,193
Less : Current portion transferred to current liabilities	3,581,193
<b>Total Deferred Revenue</b>	<b>31,253,173</b>

Deferred Revenue represents capital utilised to construct and acquire capital assets, which was funded from Grants received from Government.

	2008 R	2007 R
<b>4. LONG- TERM LIABILITIES</b>		
Annuity Loans	35,298,646	38,215,517
Capitalised Lease Liability	-	-
Sub-total	35,298,646	38,215,517
Less : Current portion transferred to current liabilities	2,673,272	3,132,615
Annuity Loans	2,673,272	3,132,615
Capitalised Lease Liability	-	-
<b>Total External Loans</b>	<b>32,625,374</b>	<b>35,082,902</b>

**4.1 Summary of arrangements**

**Development Bank Loans**

Various structured loans taken up with DBSA with an original value totalling R45.5m. One of these loans has a repayment period of 10 years maturing on 30/06/2017 paid with equal installments. All other loans are paid 6 monthly on a "Fixed capital plus interest" basis over a 20 year period each with a maturity date ranging from 31/12/2019 - 31/12/2022 respectively. Interest rates applicable vary from 9% to 12%

**INCA Loans**

INCA loans to the amount of R 29783 will be paid of during the 2008/2009 financial year.

The fair value of Long- Term Liabilities were determined after considering the standard terms and conditions of agreements entered into between the municipality and the relevant financing institutions.

Refer to Appendix A for more detail on long- term liabilities.

**BITOU MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED 30 JUNE 2008**

	R	R
<b>5 CONSUMER DEPOSITS</b>		
Electricity and Water	3,490,877	3,372,934
<b>Total Consumer Deposits</b>	<u>3,490,877</u>	<u>3,372,934</u>
 Guarantees held in lieu of Electricity and Water Deposits	 <u>-</u>	 <u>-</u>

Consumer deposits is paid by consumers on application for new water and electricity connections. The deposits are repaid when the water and electricity connections are terminated. In cases where consumers default on their accounts, Council utilizes the deposit as payment for the outstanding account.

No interest is paid on consumer deposits held.

Management of the municipality is of the opinion that the carrying value of Consumer Deposits approximate their fair values.

The fair value of Consumer Deposits were determined after considering the standard terms and conditions of agreements entered into between the municipality and its consumers.

**6. PROVISIONS**

No provision needed for Landfill sites

**7. CREDITORS**

Trade creditors	7,079,404	10,684,373
Payments received in advance	2,369,397	2,734,273
Staff leave	2,646,469	3,183,812
Other creditors	4,544,426	1,439,154
 <b>Total Creditors</b>	 <u>16,639,696</u>	 <u>18,041,613</u>

Total trade payables at 30 June 2008 amounted to R7 million (2007: R11 million)

The average credit period on purchases is 30 days from the receipt of the invoice (as determined by the MFMA). No interest is charged for the first 30 days from the date of receipt of the invoice. Thereafter interest is charged in accordance with the credit policies of the various individual creditors that the municipality deals with. The municipality has financial risk policies in place to ensure that all payables are paid within the credit timeframe.

Management of the municipality is of the opinion that the carrying value of Creditors approximate their fair values.

The fair value of Creditors were determined after considering the standard terms and conditions of agreements entered into between the municipality and other parties.

**BITOU MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED 30 JUNE 2008**

**8. UNSPENT CONDITIONAL GRANTS AND RECEIPTS**

	R	R
<b>8.1 Conditional Grants by other spheres of Government</b>	<b>19,304,721</b>	<b>9,387,991</b>
Inc: Kurland Project Link	-	475,626
Bossiesgif / Qolweni Housing	2,631,994	2,764,102
Inc Electrification	129,000	28,348
Revitalise Urban Areas	50,000	50,000
Socio Economic Upgrade	50,000	50,000
Trust Fund Airport	-	511,618
Emergency Housing	8,542,504	-
Inc: LED MMC Kurland	17,191	42,777
Subsidy Public Transport	-	539,362
Traffic Disaster Fund	782	16,111
Financial Support Grant	612,958	1,008,412
Spacial Planning Grant	84,200	84,200
Grant: Mun. Revenue Enhance	283,294	371,502
Social Responsibility	1,093,762	661,282
Recharge Groundwater / Boreholes	5,809,035	2,784,651
<b>8.2 Other Conditional Receipts</b>	<b>-</b>	<b>-</b>
<b>Total Conditional Grants and Receipts</b>	<b>19,304,721</b>	<b>9,387,991</b>

See Note 24 for reconciliation of grants by other spheres of government.

Refer to Appendix "F" for more detail on Conditional Grants.

**9. VAT**

VAT payable

R	R
-	-

VAT is payable on the receipts basis. Only once payment has been received from debtors is VAT paid over to SARS.

No interest is payable to SARS if the VAT is paid over timeously, but interest, for late payments is charged according to SARS policies. The municipality has financial risk policies in place to ensure that payments are affected before the

**10 PROPERTY, PLANT AND EQUIPMENT**

See separate note

**BITOU MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008**

**10 PROPERTY, PLANT AND EQUIPMENT**

30 June 2008

Reconciliation of Carrying Value	Land and Buildings	Infra-structure	Community	Other	Leased infrastructure	Total
	R	R	R	R	R	R
Carrying values at 1 July 2007	21,080,240	103,327,464	6,886,168	11,899,952	-	143,193,824
Cost	45,927,360	175,814,729	15,521,551	39,170,789	-	276,434,429
Correction of error	-	-	-	-	-	-
Revaluation	-	-	-	-	-	-
Accumulated depreciation	24,847,120	72,487,265	8,635,383	27,270,837	-	133,240,605
- Cost	24,847,120	72,487,265	8,635,383	27,270,837	-	133,240,605
- Correction of error	-	-	-	-	-	-
- Revaluation	-	-	-	-	-	-
Acquisitions	5,210,969	45,562,579	432,479	3,320,122	-	54,526,149
Capital under Construction	-	-	-	-	-	-
Increases/decreases in revaluation	-	-	-	-	-	-
Depreciation	1,204,838	9,187,381	594,997	2,957,798	-	-
- based on cost	1,204,838	9,187,381	594,997	2,957,798	-	13,945,014
- based on revaluation	-	-	-	-	-	-
Carrying value of disposals	58,317	-	174,294	61,881	-	294,492
Cost/revaluation	76,065	-	203,475	3,151,824	-	3,431,364
Accumulated depreciation	17,748	-	29,181	3,089,943	-	3,136,872
Impairment losses	-	-	-	-	-	-
Other movements	-	-	-	-	-	-
Carrying values at 30 June 2008	25,028,054	139,702,662	6,549,356	12,200,395	-	183,480,467
Cost	51,062,264	221,377,308	15,750,555	39,339,087	-	327,529,214
Correction of error (note 46)	-	-	-	-	-	-
Revaluation	-	-	-	-	-	-
Accumulated depreciation	26,034,210	81,674,646	9,201,199	27,138,692	-	144,048,747
- Cost	26,034,210	81,674,646	9,201,199	27,138,692	-	144,048,747
- Correction of error (note 46)	-	-	-	-	-	-
- Revaluation	-	-	-	-	-	-

**BITOU MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008**

**10 PROPERTY, PLANT AND EQUIPMENT (Continued)**

30 June 2007

Reconciliation of Carrying Value	Land and Buildings	Infra-structure	Community	Other	Leased infrastructure	Total
	R	R	R	R	R	R
Carrying values at 1 July 2006	21,291,755	85,967,277	6,477,117	11,221,396	-	124,957,545
Cost	44,936,770	149,622,124	14,482,274	35,620,289	-	244,661,457
Correction of error	-	-	-	-	-	-
Revaluation	-	-	-	-	-	-
Accumulated depreciation	23,645,015	63,654,847	8,005,157	24,398,893	-	119,703,912
- Cost	23,645,015	63,654,847	8,005,157	24,398,893	-	119,703,912
- Correction of error	-	-	-	-	-	-
- Revaluation	-	-	-	-	-	-
Acquisitions	990,590	26,192,605	1,039,277	3,550,500	-	31,772,972
Capital under Construction	-	-	-	-	-	-
Increases/decreases in revaluation	-	-	-	-	-	-
Depreciation	1,202,105	8,832,418	630,226	2,871,944	-	13,536,693
- based on cost	1,202,105	8,832,418	630,226	2,871,944	-	13,536,693
- based on revaluation	-	-	-	-	-	-
Carrying value of disposals	-	-	-	-	-	-
Cost/revaluation	-	-	-	-	-	-
Accumulated depreciation	-	-	-	-	-	-
Impairment losses	-	-	-	-	-	-
Other movements	-	-	-	-	-	-
Carrying values at 30 June 2007	21,080,240	103,327,464	6,886,168	11,899,952	-	143,193,824
Cost	45,927,360	175,814,729	15,521,551	39,170,789	-	276,434,429
Correction of error (note 46)	-	-	-	-	-	-
Revaluation	-	-	-	-	-	-
Accumulated depreciation	24,847,120	72,487,265	8,635,383	27,270,837	-	133,240,605
- Cost	24,847,120	72,487,265	8,635,383	27,270,837	-	133,240,605
- Correction of error (note 46)	-	-	-	-	-	-
- Revaluation	-	-	-	-	-	-

Refer to Appendices B, C and E (2) for more detail on property, plant and equipment, including those in the course of construction.

**BITOU MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED 30 JUNE 2008**

**11 INTANGIBLE ASSETS**

R                      R

At cost less accumulated amortisation and accumulated impairment losses

The movement in intangible assets are reconciled as follows:

Carrying values at the beginning of the year

Cost	119,407	192,509
Accumulated Amortisation	757,337	757,337
Accumulated Impairment	(637,930)	(564,828)
Acquisitions and	-	-
Additions from internal development	-	-
Disposals	(7,689)	-
Work in progress	-	-
Amortisation	(43,338)	(73,101)
Impairment Losses	-	-

Carrying value at the end of the year

Cost	68,380	119,408
Accumulated Amortisation	749,648	757,337
Accumulated Amortisation	(681,268)	(637,929)
	-	-

The amortisation expense has been included in the line item "Depreciation and

All of the municipality's Intangible Assets are held under freehold interests and no Intangible Assets had been pledged as security for any liabilities of the municipality.

No restrictions apply to the intangible assets.

Refer to Appendix "B(2)" for more detail on intangible assets.

**12 INVESTMENTS**

R                      R  
2008                      2007

Financial Instruments

Fixed Deposits                      3,064,305                      2,800,560                      263,745

Total Cash Investments

3,064,305                      2,800,560

Total Investments

3,064,305                      2,800,560

**BITOU MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED 30 JUNE 2008**

	2008 R	2007 R
<b>13 LONG-TERM RECEIVABLES</b>		
Loans to Sport Clubs	606,564	710,511
Loans to Public Organisations	-	-
Car loans	249,543	639,215
Housing selling scheme loans	461,634	646,597
	<u>1,317,741</u>	<u>1,996,323</u>
<i>Less : Provision for Impairment</i>		
<i>Less : Current portion transferred to current receivables</i>	297,231	562,037
Loans to Sport Clubs	39,189	458,093
Loans to Public Organisations	-	-
Car loans	159,801	103,944
Housing selling scheme loans	98,240	-
<b>Total Long-term Receivables</b>	<u><u>1,020,510</u></u>	<u><u>1,434,286</u></u>

**LOANS TO SPORT CLUBS**

Loans were granted to enable sport clubs to finance specific improvements, relevant to their activities, on land rent from the Municipality. In accordance with conditions attached to such loans the improvements thus erected revert to the Municipality at the expiration of the term of the lease. Loans are repaid over periods varying from ten to twenty years and at interest rates varying from eight to ten percent per annum.

**CAR LOANS**

Prior to the coming into effect of the provisions of section 164(1)(c) of the MFMA (Act 56 of 2003) on 1 July 2004, loans were granted to qualifying senior staff members to enable them to acquire a motor vehicle. The vehicle must be made available daily by the staff member for his use in the carrying out of his official duties. The repayment period of these loans and the applicable interest rate is a maximum of six years and eight percent per annum, respectively.

**HOUSING SELLING SCHEME LOANS**

Loans were granted to the tenants of low cost housing erected by the Municipality with funds provided by the State, in order to enable them to purchase the houses they previously rent from the Municipality. Loans are repaid over a period of twenty years and at an interest rate of thirteen point five percent per annum. The instalments of interest and redemption recoverable from the purchasers are credited to the Housing Fund.

**14. INVENTORY**

Consumable stores - at cost	5,436,569	8,993,968
<b>Total Inventory</b>	<u><u>5,436,569</u></u>	<u><u>8,993,968</u></u>

The cost of inventories recognised as an expense during the period, for both continuing and discontinuing

**BITOU MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED 30 JUNE 2008**

**15 CONSUMER DEBTORS**  
**As at 30 June 2008**

	Gross Balances	Provision for Impairment	Net Balances
Service debtors	31,150,954	19,433,739	11,717,215
Rates	7,785,026	4,446,579	3,338,447
Electricity	4,213,298	722,407	3,490,891
Water	5,708,944	3,513,372	2,195,572
Sewerage	6,214,358	4,656,682	1,557,676
Refuse Removal	3,938,497	3,024,308	914,189
	3,290,831	3,070,391	220,440
Housing rentals	541,718	477,052	64,666
<b>Total</b>	<b>31,692,672</b>	<b>19,910,791</b>	<b>11,781,881</b>

**As at 30 June 2007**

Service debtors	29,399,029	19,500,092	9,898,937
Rates	5,639,034	3,825,054	1,813,980
Electricity	3,854,015	780,209	3,073,806
Water	6,363,409	4,201,888	2,161,520
Sewerage	5,954,940	4,623,751	1,331,189
Refuse Removal	3,869,854	3,109,029	760,825
Sundries	3,717,778	2,960,160	757,618
	656,997		656,997
Housing rentals	378,397	331,959	46,438
<b>Total</b>	<b>30,434,423</b>	<b>19,832,051</b>	<b>10,602,372</b>

The average credit period for consumer debtors is 30 days. No interest is charged on trade receivables for the first 30 days from the date of the invoice. Thereafter interest is charged at prime plus one per annum on the outstanding balance. The municipality strictly enforces its approved credit control policy to ensure the recovery of the consumer debtors.

Management of the municipality is of the opinion that the carrying value of Consumer Debtors approximate their fair values.

The fair value of Consumer Debtors were determined after considering the standard terms and conditions of agreements entered into between the municipality and consumer debtors as well as the current payment ratio's of the municipalities consumer debtors.



**BITOU MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED 30 JUNE 2008**

R                      R

**15.1 Ageing of Consumer Debtors**

**Notes: Ageing**

Current ( 0 - 30 days )	3,008,904	1,663,364
31 - 60 Days	226,691	150,616
61 - 90 Days	102,852	62,213
91 - 120 Days	41,880	42,104
121 >	4,404,699	3,720,737
<b>Total</b>	<b>7,785,026</b>	<b>5,639,034</b>

**(Electricity, Water, Sewerage, Sundry and Refuse Removal): Ageing**

Current ( 0 - 30 days )	6,376,996	6,837,520
31 - 60 Days	1,322,726	1,527,844
61 - 90 Days	679,044	855,108
91 - 120 Days	826,104	637,163
121 >	14,161,056	13,902,361
<b>Total</b>	<b>23,365,926</b>	<b>23,759,995</b>

**Housing rentals: Ageing**

Current ( 0 - 30 days )	32,530	30,721
31 - 60 Days	16,488	15,717
61 - 90 Days	15,648	15,517
91 - 120 Days	15,833	15,900
121 >	461,219	300,542
<b>Total</b>	<b>541,718</b>	<b>378,397</b>

**15 CONSUMER DEBTORS (Continued)**

**15.2 Summary of Debtors by Customer Classification**

**15.3 Reconciliation of Provision for Impairment on Consumer debtors**

Balance at beginning of year	19,832,051	13,932,051
Impairment Losses recognised	5,493,631	5,900,000
Amounts written off as uncollectable	5,414,891	-
<b>Balance at end of year</b>	<b>19,910,791</b>	<b>19,832,051</b>

In determining the recoverability of a Consumer Debtor, the municipality considers any outstanding amounts longer than 90 days as irrecoverable. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the management believe that there is no further credit provision required in excess of the Provision for Impairment.

**BITOU MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED 30 JUNE 2008**

**16 OTHER DEBTORS**

	R	R
Insurance claims	1,679,971	151,670
Government grants and subsidies	1,847,058	1,440,899
Sundry debtors	130,746	1,321,802
Less : Provision for Impairment	-	-
<b>Total Other Debtors</b>	<b><u>3,657,775</u></b>	<b><u>2,914,371</u></b>

The average credit period for government grants and subsidies is dependant on the Government Department involved and the nature of claim. No interest is charged on outstanding government grants and subsidies. The subsidies is payable to the municipality due to allocations made in the DORA or based on agreements between the municipality and the relevant departments.

The average credit period for other debtors is 30 days. No interest is charged on trade receivables for the first 30 days from the date of the invoice. Thereafter interest is charged at prime plus one per annum on the outstanding balance. The municipality strictly enforces its approved credit control policy to ensure the recovery of the other debtors.

Management of the municipality is of the opinion that the carrying value of Other Debtors approximate their fair values.

The fair value of Other Debtors were determined after considering the standard terms and conditions of agreements entered into between the municipality and National/Provincial Departments as well as other sundry debtors. The payment ratio's of other debtors were also taken into account for fair value determination.

The provision for impairment on Other Debtors (loans and receivables) exists predominantly due to the possibility that these debts will not be recovered. Loans and receivables were assessed individually and grouped together at the Statement of Financial Position as financial assets with similar credit risk characteristics and collectively assessed for impairment.

In determining the recoverability of a Debtor, the municipality considers any change in the credit quality of the Debtor from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the management believe that there is no further credit provision required in excess of the Provision for Impairment.

**BITOU MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED 30 JUNE 2008**

**17. VAT**

VAT receivable	6,009,849	4,367,764
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VAT is payable on the receipts basis. Only once payment has been received from debtors is VAT paid over to SARS.

No interest is payable to SARS if the VAT is paid over timeously, but interest for late payments is charged according to SARS policies. The municipality has financial risk policies in place to ensure that payments are affected before the due date.

**18. CALL INVESTMENT DEPOSITS**

Other Deposits	57,118,516	56,312,884
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**19. BANK, CASH AND OVERDRAFT BALANCES**

The Municipality has the following bank accounts: -

**Current Account (FNB Ordinary Account 533740325)**

Bank statement balance at beginning of year	14,496,334	23,282,167
Bank statement balance at end of year	13,656,090	14,496,334

**Current Account (FNB No.2 - 62023804413)**

Bank statement balance at beginning of year	216,888	1,048,152
Bank statement balance at end of year	437,285	216,888

**Current Account (FNB 62004709963)**

Bank statement balance at beginning of year	9,709	85,924
Bank statement balance at end of year	150,000	9,709

**Current Account (TMT FNB 62060979964)**

Bank statement balance at beginning of year	920,978	8,984
Bank statement balance at end of year	514,892	920,978

**Current Account (Pay A Bill FNB 62063989720)**

Bank statement balance at beginning of year	-	60,745
Bank statement balance at end of year	26,887	-

**Business Current Account (Standard 082608288-ACB)**

Bank statement balance at beginning of year	11,664	840
Bank statement balance at end of year	8,187,912	11,664

**Summary**

Cash book balance at beginning of year	3,619,597	24,486,812
Cash book balance at end of year	(3,096,266)	3,619,597
Bank statement balance at beginning of year	15,655,573	-
Bank statement balance at end of year	22,973,066	15,655,573

For the purposes of the Cash Flow Statement, Bank, Cash and Cash Equivalents include Cash-on-Hand, Cash in Banks and Investments in Money Market Instruments, net of outstanding Bank Overdrafts.

Call investment deposits are investments with a maturity period of less than 3 months and earn interest rates varying from 9 % to 12,45 % per annum.

Interest on overdrawn current accounts are charged at prime plus one per annum and earn interest at different rates per annum on favourable balances

Management of the municipality is of the opinion that the carrying value of Bank Balance and Cashes recorded at amortised cost in the financial statements approximate their fair values.

***BITOU MUNICIPALITY***  
***NOTES TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED 30 JUNE 2008***

The fair value of Bank Balance and Cash were determined after considering the standard terms and conditions of agreements entered into between the municipality and financial institutions.

**BITOU MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED 30 JUNE 2008**

**20. PROPERTY RATES**

Actual

Residential, Industrial, Rural and Other	40,111,615	39,676,486
Commercial	6,610,243	3,267,982
State	447,916	414,666
<b>Total Assessment Rates</b>	<b>47,169,774</b>	<b>43,359,134</b>

Valuations

	<b>July</b>	<b>July</b>
Residential, Industrial, Rural and Other	5,398,456,033	5,454,503,467
Commercial	617,098,920	611,705,670
State	57,621,300	55,935,540
<b>Total Assessment Rates</b>	<b>6,073,176,253</b>	<b>6,122,144,677</b>

Assessment Rates are levied on the value of land and improvements, which valuation must be performed every 5 years. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations, consolidations and subdivisions.

The last valuation came into effect on 1 July 2004. A general valuation, which will be applied with effect 1 July 2009, is currently performed.

Rates are levied annually on property owners and are payable by 30 September. Owners are allowed to pay the annual assessment in 12 monthly instalments, which are payable by the end of each month. Interest is levied at the prime rate plus 1% on outstanding rates amounts.

**21. INTEREST EARNED**

**Property Rates:**

Penalties imposed and Collection Charges	2,123,630	1,120,950
	<b>2,123,630</b>	<b>1,120,950</b>

**External Investments:**

Bank Account	-	-
Investments	8,472,289	1,516,881
	<b>8,472,289</b>	<b>1,516,881</b>

**Outstanding Debtors:**

	-	-
<b>Total Interest Earned</b>	<b>10,595,919</b>	<b>2,637,831</b>

**22. SERVICE CHARGES**

Sale of electricity	38,607,163	36,437,766
Sale of water	22,087,794	21,545,264
Refuse removal	9,430,026	9,006,677
Sewerage and sanitation charges	18,602,094	17,008,254

<b>Total Service Charges</b>	<b>88,727,078</b>	<b>83,997,961</b>
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**Attributable to:**

Continuing Operations	88,727,078	83,997,961
	<b>88,727,078</b>	<b>83,997,961</b>

The amounts disclosed above for revenue from Service Charges are in respect of

**23. RENTAL OF FACILITIES AND EQUIPMENT**

Rental Revenue from Buildings	352,204	247,032
Rental Revenue from Halls	55,599	58,587
Rental Revenue from Other facilities	266,562	638,523

<b>Total Rental of Facilities and Equipment</b>	<b>674,365</b>	<b>944,142</b>
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**Attributable to:**

Continuing Operations	674,365	944,142
	<b>674,365</b>	<b>944,142</b>

**BITOU MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED 30 JUNE 2008**

Rental revenue earned on Facilities and Equipment is in respect of Non-financial Assets rented out.

R                      R

**24. GOVERNMENT GRANTS AND SUBSIDIES**

**24.1 Equitable Share**

In terms of the Constitution, this grant is used to subsidise the provision of basic services and subsidization of tariffs to indigent and poor households.

9,916,356                      7,815,281

**24.2 Jakkalskraal Fencing**

Balance unspent at beginning of year

-                      -1,259

Current year receipts

-                      -

Capital spending - transferred to deferred income

Conditions met - transferred to revenue

-                      1,259

Conditions still to be met - transferred to liabilities (see note 8)

-                      -

This grant was used to construct

Capital spending - transferred to deferred income

**24.3 Public Transport**

Balance unspent at beginning of year

539,361                      2,274,840

Current year receipts

-2,965

Capital spending - transferred to deferred income

-536,396

Conditions met - transferred to revenue

-1,735,479

Conditions still to be met - transferred to liabilities (see note 8)

-                      539,361

Conditions met balance due by government transferred to current assets (see note 25)

**BITOU MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED 30 JUNE 2008**

	2008 R	2007 R
<b>GOVERNMENT GRANTS AND SUBSIDIES (continued)</b>		
<i>24.4 Financial support</i>		
Balance unspent at beginning of year	1,008,412	712,398
Current year receipts	250,000	500,000
Capital spending - transferred to deferred income	-	-
Conditions met - transferred to revenue	-645,454	-203,986
Conditions still to be met - transferred to liabilities (see note 8)	<u>612,958</u>	<u>1,008,412</u>
<i>24.5 Spacial Planning</i>		
Balance unspent at beginning of year	84,200	84,200
Current year receipts	-	-
Capital spending - transferred to deferred income	-	-
Conditions met - transferred to revenue	-	-
Conditions still to be met - transferred to liabilities (see note 8)	<u>84,200</u>	<u>84,200</u>
<i>24.6 Kurland project linked subsidie</i>		
Balance unspent at beginning of year	475,626	93,231
Current year receipts	492,187	432,849
Capital spending - transferred to deferred income	-	-
Conditions met - transferred to revenue	-1,680,693	-50,454
Conditions still to be met - transferred to liabilities (see note 8)	-	475,626
Conditions met balance due by government transferred to current assets (see note 16)	<u>-712,880</u>	<u>-</u>
<i>24.7 Airport Fencing</i>		
Balance unspent at beginning of year	511,618	-
Current year receipts	-	1,000,000
Capital spending - transferred to deferred income	-511,618	-
Conditions met - transferred to revenue	-	-488,382
Conditions still to be met - transferred to liabilities (see note 08)	<u>-</u>	<u>511,618</u>
<i>24.8 Traffic Disaster</i>		
Balance unspent at beginning of year	16,111	16,111
Current year receipts	-	-
Capital spending - transferred to deferred income	-	-
Conditions met - transferred to revenue	-15,329	-
Conditions still to be met - transferred to liabilities (see note 8)	<u>782</u>	<u>16,111</u>
<i>24.9 Revitalise urban areas</i>		
Balance unspent at beginning of year	50,000	50,000
Current year receipts	-	-
Capital spending - transferred to deferred income	-	-
Conditions met - transferred to revenue	-	-
Conditions still to be met - transferred to liabilities (see note 08)	<u>50,000</u>	<u>50,000</u>
<i>24.10 Upgrading Keurboom Water Scheme</i>		
Balance unspent at beginning of year	-	-
Current year receipts	-	-500,000
Capital spending - transferred to deferred income	-	-
Conditions met - transferred to revenue	-	500,000
Conditions still to be met - transferred to liabilities (see note 8)	<u>-</u>	<u>-</u>
<i>24.11 Socio Economic upgrading informal settlement</i>		
Balance unspent at beginning of year	50,000	50,000
Current year receipts	-	-
Capital spending - transferred to deferred income	-	-
Conditions met - transferred to revenue	-	-
Conditions still to be met - transferred to liabilities (see note 8)	<u>50,000</u>	<u>50,000</u>

**BITOU MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED 30 JUNE 2008**

**24.12 Electrification**

Balance unspent at beginning of year	28,348	1,805,474
Current year receipts	2,064,000	
Capital spending - transferred to deferred income	-1,963,348	
Conditions met - transferred to revenue	-	-1,777,126
Conditions still to be met - transferred to liabilities (see note 8)	129,000	28,348

**24.13 Sportsground: Kurland & Kranshoek**

Balance unspent at beginning of year	-	
Current year receipts	362,329	
Capital spending - transferred to deferred income	-362,329	
Conditions met - transferred to revenue	-	
Conditions still to be met - transferred to liabilities (see note 8)	-	

**24.14 Housing Development**

Balance unspent at beginning of year	2,764,102	2,420,392
Current year receipts	11,377,064	11,221,316
Capital spending - transferred to deferred income		
Conditions met - transferred to revenue	-11,509,172	-10,877,606
Conditions still to be met - transferred to liabilities (see note 08)	2,631,994	2,764,102

**24.15 Various MIG Grants**

Balance unspent at beginning of year	2,784,651	2,802,960
Current year receipts	9,572,000	4,203,503
Capital spending - transferred to deferred income	-6,547,616	
Conditions met - transferred to revenue	-	-4,221,812
Conditions still to be met - transferred to liabilities (see note 8)	5,809,035	2,784,651

**24.16 Social Responsibility**

Balance unspent at beginning of year	661,282	94,312
Current year receipts	460,782	1,000
Capital spending - transferred to deferred income	-	
Conditions met - transferred to revenue	-28,302	
Conditions still to be met - transferred to liabilities (see note 8)	1,093,762	95,312

**24.17 Revenue Enhancement**

Balance unspent at beginning of year	371,502	536,129
Current year receipts	-	
Capital spending - transferred to deferred income	-	
Conditions met - transferred to revenue	-88,207	-164,627
Conditions still to be met - transferred to liabilities (see note 8)	283,295	371,502

**24.17 Hostel Project**

Balance unspent at beginning of year	-	-
Current year receipts	3,022,357	
Capital spending - transferred to deferred income	-3,022,357	
Conditions met - transferred to revenue	-	
Conditions still to be met - transferred to liabilities (see note 8)	-	

**24.20 Emergency Housing**

Balance unspent at beginning of year	-	-
Current year receipts	8,685,516	
Conditions met - transferred to revenue	-143,012	
Conditions met - transferred to deferred income	-	
Conditions still to be met - transferred to liabilities (see note 8)	8,542,504	

**24.21 LED Learnership**

Balance unspent at beginning of year	-	-
Current year receipts	362,500	
Conditions met - transferred to revenue	-362,500	
Conditions met - transferred to deferred income	-	
Conditions still to be met - transferred to liabilities (see note 8)	-	

**24.22 Umsobomvu Youth Fund**

Balance unspent at beginning of year	-	-
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**BITOU MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED 30 JUNE 2008**

Current year receipts	120,000	-
Conditions met - transferred to revenue	-120,000	-
Conditions met - transferred to deferred income	-	-
Conditions still to be met - transferred to liabilities (see note 8)	-	-
	<u>-</u>	<u>-</u>

**24.23 Kwanu Housing phase 4**

Balance unspent at beginning of year	-	-
Current year receipts	-	-
Conditions met - transferred to revenue	-469,863	-
Conditions met - transferred to deferred income	-	-
Conditions still to be met - transferred to liabilities (see note 8)	-	-
Conditions met balance due by government transferred to current assets (see note 16)	<u>-469,863</u>	<u>-</u>

**24.24 Kranshoek Project link subsidie housing**

Balance unspent at beginning of year	-1,440,899	-
Current year receipts	1,088,965	-
Conditions met - transferred to revenue	-312,381	-1,440,899
Conditions met - transferred to deferred income	-	-
Conditions still to be met - transferred to liabilities (see note 8)	-	-1,440,899
Conditions met balance due by government transferred to current assets (see note 16)	<u>-664,315</u>	<u>-</u>

**24.24 MMC Kurland**

Balance unspent at beginning of year	42,777	-
Current year receipts	-	42,777
Conditions met - transferred to revenue	-25,586	-
Conditions met - transferred to deferred income	-	-
Conditions still to be met - transferred to liabilities (see note 8)	<u>17,191</u>	<u>42,777</u>

**TOTAL GRANTS AND SUBSIDIES**

Balance unspent at beginning of year	9,387,990	10,938,788
Current year receipts	37,854,735	16,901,445
Conditions met - transferred to revenue	-15,400,499	-20,459,112
Conditions met - transferred to deferred income	-12,943,664	-
Conditions still to be met - transferred to liabilities (see note 8)	<u>19,304,721</u>	<u>7,381,121</u>
Conditions still to be met - transferred to liabilities (see note )	<u>(1,847,058)</u>	<u>(1,440,899)</u>

**Equitable Share**

These grants are used to subsidise the provision of basic services to indigent communities.

**Changes in levels of government grants**

Based on the allocations set out in the Division of Revenue Act, (Act 1 of 2005), no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years with the exception of Provincial Health Subsidies which is currently being phased out as the Provincial Government will render this service in future.

**BITOU MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED 30 JUNE 2008**

**25. OTHER INCOME**

Included in other income is the following:-

	R	R
ACB Service charges	3,745	2,520
Bank charges recovered	-	1,647
Boat launching fees	263,218	313,982
Building plan fees	2,171,688	2,031,830
Business licences	1,600	1,201
Cemetery fees	42,992	36,100
Conservancy charges	736,528	754,806
Connection fees	424,807	479,253
Service connections	48,058	7,981
C P A Resort	10,440	10,440
Fire fighting fees	22,530	51,954
Fuel sales	1,257,580	3,697
Staff telephone	6,021	3,183
Landing fees	89,394	392
List of building plans	3,940	6,301
Lost library books	2,411	2,589
Festivals	-	12,706
Town planning fees	169,667	152,385
Disconnection due to cut off	47,569	116,539
Sale wheelie bins	535,439	1,375
Sudivision charges	-	375
Sundry income	235,318	150,192
Theatre fees	-	-494
Sundry income	-	640,686
Skills development discount	150,946	148,637
Temp. & Duplicate documents	51,468	4,452
Vehicle registration fees	536,416	729,152
Task income	-	205,738
Water meter testing	-	1,257

**Total Other Income**

<u>6,811,777</u>	<u>5,870,876</u>
------------------	------------------

Attributable to:

Continuing Operations

6,811,777

5,870,876

Discontinued Operations

-

-

<u>6,811,777</u>	<u>5,870,876</u>
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**26. EMPLOYEE RELATED COSTS**

	R	R
Employee related costs - Salaries and Wages	33,547,704	32,095,544
Employee related costs - Contributions for UIF, pensions and medical aids	10,334,533	9,215,573
Travel, motor car, accommodation, subsistence and other allowances	2,839,399	2,697,485
Housing benefits and allowances	1,151,450	516,252
Overtime payments	2,831,695	2,319,087
Performance bonus	-	-
Bonuses: 13th Cheque	2,450,970	1,840,254
Long-service awards	-	-
Contribution to Leave Gratuity	1,050,084	992,250
Less: Employee related costs (Discontinued Operations)	-	-
<b>Total Employee Related Costs</b>	<u>54,205,834</u>	<u>49,676,444</u>

Attributable to:

Continuing Operations

54,205,834

49,676,444

Discontinued Operations

-

-

<u>54,205,834</u>	<u>49,676,444</u>
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**BITOU MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED 30 JUNE 2008**

**27. REMUNERATION OF COUNCILLORS**

Executive Mayor	270,333	433,857
Deputy Executive Mayor	213,621	339,024
Speaker	213,621	339,024
Mayoral Committee Members	214,019	597,279
Councillors	298,920	913,297
Councillor's - pension contribution	163,981	-
Councillor's - medical aid contribution	80,162	-
Councillor's - travelling allowances	363,713	-
Councillor's - telephone allowances	144,178	-
Councillor's - housing subsidy	117,401	-
<b>Total Councillors - Remuneration</b>	<b>2,079,949</b>	<b>2,622,481</b>

**In-kind Benefits**

The Councillors occupying the positions of Executive Mayor, Deputy Executive Mayor, Speaker and Executive Mayoral Committee Members of the Municipality serve in a full-time capacity. They are provided with office accommodation and secretarial support at the expense of the Municipality in order to enable them to perform their official duties.

**Certification by the Municipal Manager**

I certify that the remuneration of Councillors and in-kind benefits are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

  
Signed: Municipal Manager

**28. IMPAIRMENT LOSSES**

**28.1 Impairment Losses on Financial Assets**

Trade Receivables	5,493,631	5,900,000
Less reversal of Impairment Losses recognised on Trade Receivables	-	-
Less Deferred income recognised	-	-
<b>Total</b>	<b>5,493,631</b>	<b>5,900,000</b>
<b>Total Impairment Losses</b>	<b>5,493,631</b>	<b>5,900,000</b>
Attributable to:		
Continuing Operations	5,493,631	5,900,000
Discontinued Operations	-	-
	<b>5,493,631</b>	<b>5,900,000</b>

**29. DEPRECIATION AND AMORTISATION**

Depreciation: Property, Plant and Equipment	13,945,014	13,536,693
Depreciation: Investment Property	-	-
Amortisation: Intangible Assets	43,338	73,101
Less Deferred income recognised	-	-
<b>Total Depreciation and Amortisation</b>	<b>13,988,352</b>	<b>13,609,794</b>

**BITOU MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED 30 JUNE 2008**

Performance Management	-	27,422
Pest Control	6,260	4,145
Postage	287,651	251,742
Printing & Stationery	676,665	542,322
Programming Costs	12,879	14,961
Public Entertainment	282,131	69,976
Radio Licences	6,231	17,132
Refuse Removal Services	88,904	80,643
Rent Sportfields	22,143	104,509
Refuse Recycle	92,804	76,160
Removal Expenses	25,152	2,400
Rents - other	418,598	428,969
Scoping & Surveys	4,380	8,072
Security CBD	198,707	153,827
Security	933,749	699,270
Security : Bossiegif	35,525	51,436
Sewerage Services	111,262	96,687
Skills Development Levy	413,827	343,913
Street Lighting	1,015,052	97,998
Subscription & Membership Fees	280,620	322,690
Survey & Investigations	29,750	65,861
Telecommunication	1,202,434	1,101,037
SMS Multi Message Service	3,699	370
Training	473,937	303,476
Transport Lifesavers	6,788	5,994
Website Development	5,255	148,815
Water Supply	424,507	416,770
Wheelie Bins	499,741	438,867
Ward Committees	49,301	24,113
Alien Vegetation	211,510	233,567
Tourism Awareness & Welcome Campaigns	-	47,657
Consumer Service Connections	410,709	111,736
Consumer Service Connections : Prepaid Meters	55,065	31,801
Vehicle Operating Costs	2,746,729	1,680,340
International Relations	370,136	186,133
Mayoral Entertainment	176,536	207,208
Municipal Manager : Special Allowance	4,742	4,460
Promotional Campaigns (Seasonal)	-	49,716
Strategic Advertising (Local)	-	39,823
Trade & Road Show (Indaba)	-	102,317
Trade & Consumer Shows & Road Show International	-	250,223
Demographic Survy	748,340	-
Intergovernmental Relations	33,789	-
Shop Steward Contribution	104,024	-
Flood Risk Assessment	342,000	-
Other	2,473,067	485,858
<b>Total General Expenses</b>	<b>41,823,602</b>	<b>27,112,865</b>

**BITOU MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED 30 JUNE 2008**

	2006 R
<b>34 CHANGE IN ACCOUNTING POLICY - IMPLEMENTATION OF GAMAP</b>	
The following adjustments were made to amounts previously reported in the annual financial statements of the Municipality arising from the implementation of GRAP: -	
<b>34.1 Statutory Funds</b>	
Balance previously reported: -	
Revolving Fund	51,447,478
Housing Development fund	906,362
Total	<u>52,353,840</u>
Implementation of GAMAP	
Transferred to the Capital Replacement Reserve	24,158,748
Transferred to the Capitalisation Reserve	-
Transferred to Housing Development Fund	906,362
Transferred to Accumulated Surplus/(Deficit) (see 34.8 below)	27,288,730
Total	<u>52,353,840</u>
	R
<b>34 CHANGE IN ACCOUNTING POLICY - IMPLEMENTATION OF GAMAP (continued)</b>	
<b>34.2 Loans Redeemed and Other Capital Receipts</b>	
Balance previously reported	<u>168,269,448</u>
Implementation of GAMAP	
Transferred to Deferred Income	28,718,070
Transferred to Capitalisation Reserve	51,031,772
Transferred to Public Contribution Reserve	7,532,668
Transferred to Housing Development Fund	-
Transferred to Accumulated Surplus/(Deficit) (see 34.8 below)	80,986,938
Total	<u>168,269,448</u>
<b>34.3 Provisions and Reserves</b>	
Balance previously reported	
Infrastructure Replacement Reserve	-
Augmentation Fund	21,053,915
Loan Redemption Fund	1,728,391
Transformer Fund	1,376,441
Valuations provision	162,956
Sundry Funds	-
Total	<u>24,321,705</u>
Implementation of GAMAP	
Transferred to Accumulated Surplus/(Deficit) (see 34.8 below)	<u>24,321,705</u>
<b>34.4 Inventory</b>	
Balance previously reported	5,123,416
Implementation of GAMAP	
Transferred to Accumulated Surplus/(Deficit) (see 34.8 below)	-
Water previously expensed now shown as inventory	-
Write-down of spare parts to realisable value	-
Write-down of unsold properties to realisable value	-
Total	<u>5,123,416</u>
	2006 R
<b>34.5 Non-current provisions</b>	
Balance previously reported	-
Implementation of GAMAP	
Transferred from Accumulated Surplus/(Deficit) (see 34.8 below)	-
Landfill	-
Long-service	-
Total	<u>-</u>
<b>34.6 Property, plant and equipment</b>	
Balance previously reported	-
Implementation of GAMAP	
I	-
Total	<u>-</u>

**BITOU MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED 30 JUNE 2008**

**34.8 Funds Balances**

Balance previously reported	-250,647,628
Transfer to	
Deferred income	28,718,070
Depreciation	120,268,740
Accumulated Surplus/(Deficit) (see 34.8 below)	9,648,741
Accumulated Surplus/(Deficit) Opening Balances	89,332,186
Total	<u>-</u>

**34.7 Accumulated Depreciation**

Balance previously reported	<u>-</u>
Implementation of GAMAP	
Backlog depreciation: Land and buildings	23,717,539
Backlog depreciation: Infrastructure	63,649,704
Backlog depreciation: Community	8,005,157
Backlog depreciation: Other	23,636,754
Backlog depreciation: Intangible	1,259,586
Backlog depreciation: Housing Development Fund	-
Total (debited to Accumulated Surplus/(Deficit)) (see 34.8 below)	<u>120,268,740</u>

**34.8 Accumulated Surplus/(Deficit)**

Implementation of GAMAP	
Adjustments to Accumulated surplus (Expenditure current year)	(2,679,891)
Adjustments to inventory (see 34.4 above)	-
Excessive provisions and reserves no longer permitted (see 34.3 above)	24,321,705
Non-current provisions previously not recognised (see 34.5 above)	-
Transferred from statutory funds (see 34.1 above)	27,288,730
Transferred from Loans Redeemed and Other Capital Receipts (see 34.2 above)	80,986,938
Fair value of Property, Plant and Equipment previously not recorded (see 34.6 above)	-
Backlog depreciation (see 34.7 above)	<u>-120,268,740</u>
Total : Transferred to Accumulated Surplus/(Deficit) (See note 2)	<u>9,648,741</u>

**34.9 Surplus/(Deficit) Financial year**

Balance previously reported	15,658,059
Implementation of GAMAP	
Contributions to Revolving fund Written back	3,596,200
Contributions to Revaluation fund Written back	600,000
Redemption paid	11,095,675
Depreciation for financial year	(13,609,794)
Expenditure Revolving fund	(5,867)
Expenditure Revaluation fund	(479,978)
Offsetting of depreciation	3,767,944
Surplus 30 June 2007	<u>20,622,239</u>

**BITOU MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED 30 JUNE 2008**

**35 CASH GENERATED BY OPERATIONS**

Surplus for the year	15,911,921	20,622,239
Adjustment for:-		
Previous years	(1,348,860)	(2,679,891)
Debtors written off	(5,493,631)	
Depreciation	13,988,353	13,609,794
Income to CRR	4,279,729	-
Contribution from Deferred Revenue	(3,581,193)	(3,767,944)
Implementation of GRAP	-	17,174,640
Contribution to bad debt provision	5,493,631	5,900,000
Defecit in Tmasfer of assets	251,153	-
Assets from Deferred revenue	12,943,665	-
Investment income	(10,595,919)	2,637,831
Interest paid	3,835,926	6,978,199
<b>Operating surplus before working capital changes:</b>	<b>35,684,776</b>	<b>60,474,868</b>
(Increase)/decrease in inventories	3,557,400	(3,870,552)
(Increase)/decrease in consumer debtors	(1,258,249)	2,630,381
(Increase)/decrease in other debtors	(743,404)	450,436
(Decrease)/increase in conditional grants and receipts	9,916,730	(2,712,582)
Increase/(Decrease) in Operating lease liability	-	-
Increase/(Decrease) in creditors	(1,401,916)	4,527,770
Increase/(Decrease) in VAT	(1,827,528)	-
<b>Cash generated by/(utilised in) operations</b>	<b>43,927,809</b>	<b>61,500,321</b>

**36. CASH AND CASH EQUIVALENTS**

Bank balances and cash	(3,096,266)	3,619,597
Call investment deposits	57,118,516	56,312,884
Petty Cash Advances	6,207	3,207
<b>Total cash and cash equivalents</b>	<b>54,028,457</b>	<b>59,935,688</b>

**37. NON-CASH INVESTING AND FINANCING TRANSACTIONS**

None

**BITOU MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED 30 JUNE 2008**

**38. FINANCING FACILITIES**

None

**39. OPERATING LEASE COMMITMENTS**

R

R

**The Municipality as Lessee:**

Operating Leases relate to Property, plant and Equipment with lease terms not

At the Statement of Financial Position date the municipality had outstanding commitments under non-cancellable operating leases, which fall due as follows:

<b>Buildings</b>		
Up to 1 year		-
1 to 5 years		-
More than 5 years		-
<b>Vehicles and other equipment</b>		
Up to 1 year	138,453	917,388
1 to 5 years	114,123	778,986
More than 5 years	24,330	138,402
	439	406
<b>Total Operating Lease Liabilities - as Lessee</b>	<b>138,453</b>	<b>917,388</b>

The municipality has operating lease agreements for the following classes of

- Office Equipment
- Vehicles

No restrictions have been imposed on the Municipality in terms of the operating lease agreements.

**The Municipality as Lessor:**

At the Statement of Financial Position date the following lease receipts were receivable under Non-cancellable Operating Leases for Property, Plant and Equipment, which are receivable as follows:

Up to 1 year	172,367	161,054
1 to 5 years	769,622	737,650
More than 5 years	1,203,753	1,173,655
	<b>2,145,742</b>	<b>2,072,359</b>

This impact of charging the escalations in operating leases on a straight-line



**BITOU MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED 30 JUNE 2008**

**40. UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION**

Long-term liabilities (see Note 4)	35,298,646	38,215,517
Used to finance property, plant and equipment - at cost	-	-
Sub- total	35,298,646	38,215,517
Cash set aside for the repayment of long-term liabilities	2,673,272	
Cash invested for repayment of long-term liabilities	<u>37,971,918</u>	<u>38,215,517</u>

Long-term liabilities have been utilized in accordance with the Municipal

**41. UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED**

**41.1 Unauthorised expenditure**

To the best of knowledge no unauthorised expenditure was incurred during the

**41.2 Fruitless and wasteful expenditure**

To the best of knowledge instances of note indicating that fruitless and wasteful

**41.3 Irregular expenditure**

To the best of knowledge instances of note indicating that fruitless and wasteful

Reconciliation of Irregular Expenditure:

Opening balance	-	-
Irregular Expenditure current year	-	-
Condoned or written off by Council	-	-
To be recovered – contingent asset (see Note)	-	-
Transferred to receivables for recovery (see Note 17)	-	-

Irregular Expenditure awaiting condonement

-	-
---	---

Incident	Disciplinary Steps / Criminal Proceedings
None	

**42. ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT**

**42.1 Contributions to organized local government**

Opening balance	-	-
Council subscriptions	214,735	157,549
Amount paid - current year	(214,735)	(157,549)
Amount paid - previous years	-	-
Balance unpaid (included in creditors)	<u>-</u>	<u>-</u>

**42.2 Audit fees**

Opening balance	-	-
Current year audit fee	662,146	446,226
Amount paid - current year	(662,146)	(446,226)
Amount paid - previous years	-	-
Balance unpaid (included in creditors)	<u>-</u>	<u>-</u>

The balance unpaid represents the audit fee for an interim audit conducted during

**42.3 VAT**

VAT inputs receivables and VAT outputs receivables are shown in note 9. All

**BITOU MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED 30 JUNE 2008**

**42. ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE M**

**42.4 PAYE and UIF**

	R	R
Opening balance	-	-
Current year payroll deductions	6,494,295	5,812,590
Amount paid - current year	(6,494,295)	(5,812,590)
Amount paid - previous years	-	-
<b>Balance unpaid (included in creditors)</b>	<b>-</b>	<b>-</b>

**42.5 Pension and Medical Aid Deductions**

Opening balance	-	-
Current year payroll deductions and Council Contributions	14,525,439	13,295,206
Amount paid - current year	(14,525,439)	(13,295,206)
Amount paid - previous years	-	-
<b>Balance unpaid (included in creditors)</b>	<b>-</b>	<b>-</b>

The balance represents Pension and Medical Aid contributions deducted from

**42.6 Councillor's arrear consumer accounts**

During the financial year under review no Councillor (present or past) was in

The following Councillors had arrear accounts outstanding for more than 90 days as at:

	Total R	Outstanding up to 90 days R	Outstanding more than 90 days R
<b>30 June 2008</b>			
Councillor	-	-	-
Councillor	-	-	-
<b>Total Councillor Arrear Consumer Accounts</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>30 June 2007</b>			
Councillor	-	-	-
Councillor	-	-	-
<b>Total Councillor Arrear Consumer Accounts</b>	<b>-</b>	<b>-</b>	<b>-</b>

**42.7 Non-Compliance with Chapter 11 of the Municipal Finance Management Act**

In terms of section 36 of the Municipal Supply Chain Management Regulations

Incident	Reasons submitted for non-compliance

**BITOU MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED 30 JUNE 2008**

**43. COMMITMENTS FOR EXPENDITURE**

**43.1 Capital Commitments**

Commitments in respect of capital expenditure:

**- Approved and contracted for**

*Infrastructure*

*Community*

*Heritage*

*Other*

*Housing Development Fund*

*Investment Properties*

R  
2008

R  
2007

8,964,767	6,867,600
8,964,767	5,017,600
-	-
-	-
-	1,850,000
-	-
-	-

**- Approved but not yet contracted for**

*Infrastructure*

*Community*

*Heritage*

*Other*

*Housing Development Fund*

*Investment Properties*

60,834,700	56,068,389
42,106,500	45,412,889
3,295,000	4,010,500
-	-
-	-
15,433,200	6,645,000
-	-

**Total**

69,799,467	62,935,989
------------	------------

This expenditure will be financed from:

- External Loans

- Capital Replacement Reserve

- Government Grants

- Own resources

- District Municipality Grants

-	-
53,708,100	-
9,227,889	-
-	-
-	-
62,935,989	-

The municipality's share of the Capital Commitments of its Jointly Controlled

Commitments for the acquisition of Property, Plant and Equipment

-	-
---	---

**43.2 Other Commitments**

**44. FINANCIAL INSTRUMENTS**

**44.1 Classification**

**FINANCIAL ASSETS**

In accordance with IAS 39.09 the Financial Assets of the municipality are

<u>Financial assets</u>	<u>Classification</u>	R	R
<b>Investments</b>			
Listed Investments	Held to maturity	-	-
Fixed Deposits	Held to maturity	3,064,305	2,800,560
<b>Long-term Receivables</b>			
Loans to Sport Clubs	Loans and receivables	567,375	252,418
Car loans	Loans and receivables	89,741	535,271
Housing Selling Scheme Loans	Loans and receivables	363,394	646,597

**BITOU MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED 30 JUNE 2008**

**44. FINANCIAL INSTRUMENTS (Continued)**

		R	R
<b>Consumer Debtors</b>			
Rates	Loans and receivables	3,338,447	1,813,980
Electricity	Loans and receivables	3,490,891	3,073,806
Water	Loans and receivables	2,195,572	2,161,520
Sewerage	Loans and receivables	1,557,676	1,331,189
Refuse Removal	Loans and receivables	220,440	757,618
Housing Rentals	Loans and receivables	64,666	46,438
<b>Other Debtors</b>			
Insurance claims	Loans and receivables	1,679,971	151,670
Government grants and subsidies	Loans and receivables	1,847,058	1,440,899
Sundry debtors	Loans and receivables	130,746	1,321,802
<b>Current Portion of Long-term Receivables</b>			
Loans to Sport Clubs	Loans and receivables	39,189	458,093
Car loans	Loans and receivables	159,801	103,944
Housing Selling Scheme Loans	Loans and receivables	98,240	-
<b>VAT Receivable</b>			
VAT Control Accounts	Loans and receivables	6,009,849	4,367,764
<b>Short-term Investment Deposits</b>			
Call Deposits	Held to maturity	57,118,516	56,312,884
<b>Bank Balances and Cash</b>			
Bank Balances	Available for sale	(3,096,266)	3,619,597
Cash Floats and Advances	Available for sale	-	3,207
<b>Total Financial Assets</b>		<u>150,455,960</u>	<u>156,349,688</u>

**BITOU MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED 30 JUNE 2008**

**FINANCIAL LIABILITIES**

In accordance with IAS 39.09 the Financial Liabilities of the municipality are

<u>Financial liabilities</u>	<u>Classification</u>		
<b>Long-term Liabilities</b>			
Annuity Loans	Not valued at FVTPL	32,625,374	38,215,517
Consumer Deposits			
Electricity and Water	Not valued at FVTPL	3,490,877	3,372,934
<b>Provisions</b>			
<b>Creditors</b>			
Trade creditors	Not valued at FVTPL	7,079,404	10,684,373
Payments received in advance	Not valued at FVTPL	2,369,397	2,734,273
Staff leave	Not valued at FVTPL	2,646,469	3,183,812
Other creditors	Not valued at FVTPL	4,544,426	1,439,154
<b>Unspent Conditional Grants and Receipts</b>			
Other Spheres of Government	Not valued at FVTPL	19,304,721	9,387,991
<b>Current Portion of Long-term Liabilities</b>			
Annuity Loans	Not valued at FVTPL	2,673,272	3,132,615
Capitalised Lease Liability	Not valued at FVTPL	-	-
<b>Total Financial Liabilities</b>		<b>74,733,940</b>	<b>72,150,669</b>

**44.2 Fair Value of Financial Instruments**

Management considers the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statement to approximate their fair values on 30 June 2008

The Fair Values of Financial Assets and Financial Liabilities are determined as follows:

- the Fair Value of Financial Assets and Financial Liabilities with standard terms and conditions and traded on active liquid
- the Fair Value of Other Financial Assets and Financial Liabilities (excluding Derivative Instruments) is determined in

**BITOU MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED 30 JUNE 2008**

**45 MULTI-EMPLOYER RETIREMENT BENEFIT INFORMATION**

The personnel of the Bithou Municipality are members of the funds as set out below. These schemes are subject to either a tri-  
 - The assets of each fund are held in one portfolio; these assets are not notionally allocated to each of the participating  
 - One set of financial statements are compiled for each fund and financial statements are not drafted for each participating  
 - The same rate of contributions applies to all participating employers, and in regard is paid to differences in the membership distribution of the participating employers.

It is therefore seen that each fund operates as a single entity and is not divided into sub-funds for each participating employer.

**CAPE JOINT RETIREMENT FUND**

The contribution rate paid by the members (9,0 %) and Council (18,0 %) is sufficient to fund the benefits accruing from the fund in future. The last valuation performed for the year ended 30 June 2007 (30 June 2006) revealed that the fund had an actuarial surplus of R 105,04 (R 38,6) million with a funding level of 137,4 % (114,0 %). Certified in a sound financial position as at 30 June 2007.

**CAPE JOINT PENSION FUND**

The Cape Joint Pension Fund operates both as a defined benefit and defined contribution scheme.

The defined benefit scheme is a multi-employer plan and the contribution rate payable is 9 %, by the members and 18 % by Council. The last valuation performed for the year ended 30 June 2007 (30 June 2006) revealed that the fund had an actuarial surplus of R 200,21 (R 293,02) million with a funding level of 107,2 % (111,4 %), and is in a sound financial state as at 30 June 2007.

The actuarial valuation report at 30 June 2007 indicated that the the defined contribution scheme of the fund is in a sound financial position, with

**46. RELATED PARTY TRANSACTIONS**

**46.1 Services rendered to Related Parties**

During the year the municipality rendered services to the following related parties that are related to the municipality as

Rates and Services Accounts	Rates R	Service Charges R	Other R	Outstanding Balances R
<b>30 June 2008</b>				
Councillors	336	26,490	-	-
Municipal Manager and Section 57 Person	10,409	49,329	-	733
Municipal Entities	-	-	-	-
<b>Total</b>	<b>10,745</b>	<b>75,819</b>	<b>-</b>	<b>733</b>
<b>30 June 2007</b>				
Councillors				
Municipal Manager and Section 57 Person	320	24,298	-	-
Municipal Entities	10,851	70,728	10,799	-
<b>Total</b>	<b>11,171</b>	<b>95,026</b>	<b>10,799</b>	<b>-</b>

The rates, service and other charges are in accordance with approved tariffs that was advertised to the public. No bad debt

The amounts outstanding are unsecured and will be settled in cash. Consumer Deposits were received from Councillors, the

**BITOU MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED 30 JUNE 2008**

**46.2 Related Party Loans**

Loans to Councillors and senior management employees are no longer permitted since 1 July 2004. Loans that were granted

**46.3 Compensation of key management personnel**

The compensation of key management personnel is set out in note 26.

**46.4 Purchases from Related Parties**

None

**47. CONTINGENT LIABILITY**

R

R

The Municipality is involved in certain court cases of which the legal costs may be as follows:

**47.1 Brian A Meyerson - Polo Fields**

Brian Myerson has served the Municipality and Sanral with a Notice of Motion requesting the court to set aside the lease agreement entered into between Sanral (owner of the property) and the Municipality. Brian Myerson was the previous tenant. The application is opposed.

**47.2 Elmarie Maré -- Sexual harassment lawsuit**

Elmarie Maré previously Olivier born Fourie, former employee of the Municipality, is suing the Municipality (officials and public office bearers) for R32 million for alleged sexual harassment that occurred in 2000. The Municipality is defending the action.

**47.3 Moby Dicks Restaurant – An Eviction Notice**

The lease expired on 30 June 2005 and was not renewed. However, the Moby Dick claims legitimate expectation for automatic renewal. The Municipality notified him in time therefore the continued occupation is unlawful.

**47.4 Fairway Avenue Homeowners**

Fairway Avenue Homeowners – The Association has served the Municipality with a notice of motion for the cost to order the Municipality to

(a) improve the drainage from major catchment area to cater for the 1 in 50 year flood by installing an additional conduit or the creation of an open channel outlet and raising the channel embankment

(b) upgrade the pumps in pump station. The application is opposed.

**47.5 N Peter - Unfair dismissal.**

We were mandated to ask Salga's Legal Team to negotiate with Imatu as representing Mr N E Peter to reach a payout settlement deal to minimize chances for arbitration. The possible compensation amounts to R 65 520.00

**48. CONTINGENT ASSET**

None

**49. IN-KIND DONATION AND ASSISTANCE**

The Municipality did not receive any in-kind donation and assistance during the

(i) Secondment of International Finance Advisor by National Treasury for two years

**50. COMPARISON WITH THE BUDGET**

The comparison of the municipality's actual financial performance with that

**50. PRIVATE PUBLIC PARTNERSHIPS**

The Municipality has as yet not entered into a public-private partnership

**51. EVENTS AFTER THE REPORTING DATE**

No events having financial implications requiring disclosure occurred

**APPENDIX A**

**BITOU MUNICIPALITY**  
**"SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2008"**

	Loan Number	Redeemable	Balance at 30/06/2007	Received during the period	Redeemed written off during the period	Balance 30/06 2008
<b>EXTERNAL LOANS</b>						
<b>LONG- TERM LOANS</b>						
South Cape District Council		2008/06/30	118,000	-	-	118,000
Sanlam			61,034	-	31,251	29,783
Sanlam			10,959	-	10,959	-
Development Bank			4,624,357	-	370,000	4,254,357
Development Bank			5,310,219	-	393,682	4,916,537
Development Bank			12,772,000	-	824,000	11,948,000
Development Bank			15,000,000	-	968,031	14,031,969
Provincial Administration			318,948	-	318,948	-
<b>Total Long- Term Loans</b>			<b>38,215,517</b>	<b>-</b>	<b>2,916,871</b>	<b>35,298,646</b>
<b>LEASES</b>						
			-			-
			-			-
<b>Total leases</b>			<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL EXTERNAL LOANS</b>			<b>38,215,517</b>	<b>-</b>	<b>2,916,871</b>	<b>35,298,646</b>

Refer to note 4 for additional information



# APPENDIX B

## BITOU MUNICIPALITY

### ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2007

	Cost/Revaluation				Accumulated Depreciation and Impairment					Carrying Value
	Opening Balance	Additions	Under Construction	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	
Land and Buildings										
Land	8,048,857	-	-	-	8,048,857	769,173	85,415	-	854,588	7,194,269
Buildings	36,887,914	990,590	-	-	37,878,504	22,875,842	1,116,690	-	23,992,531	13,885,973
	44,936,770	990,590	-	-	45,927,361	23,645,015	1,202,105	-	24,847,119	21,080,242
Infrastructure										
Drains	-	-	-	-	-	-	-	-	-	-
Roads	39,640,879	10,922,782	-	-	50,563,661	15,868,418	2,679,600	-	18,548,019	32,015,642
Beach Improvements	-	-	-	-	-	-	-	-	-	-
Sewerage Mains and Purification	39,883,495	1,316,856	-	-	41,200,350	19,499,869	2,027,097	-	21,526,966	19,673,384
Electricity Mains	13,187,831	1,622,063	-	-	14,809,893	4,236,271	699,943	-	4,936,214	9,873,679
Electricity Peak Load Equipment	435,732	-	-	-	435,732	173,427	28,847	-	202,274	233,458
Water Mains and Purification	17,399,458	-	-	-	17,399,458	6,343,628	1,123,479	-	7,467,106	9,932,352
Reservoirs - Water	11,478,829	99,896	-	-	11,578,724	6,074,346	576,439	-	6,650,785	4,927,939
Water Meters	145,015	-	-	-	145,015	62,095	8,584	-	70,679	74,336
Water Mains	26,004,202	11,857,008	-	-	37,861,210	11,187,431	1,606,744	-	12,794,175	25,067,035
Landfill Sites	1,446,684	374,000	-	-	1,820,684	209,363	81,684	-	291,047	1,529,637
	149,622,124	26,192,605	-	-	175,814,727	63,654,847	8,832,418	-	72,487,265	103,327,462
Community Assets										
Parks and Gardens	3,212,480	6,961	-	-	3,219,442	1,968,460	132,995	-	2,101,455	1,117,987
Libraries	559,348	382,886	-	-	942,234	58,655	25,026	-	83,681	858,553
Recreation Grounds	7,397,263	649,429	-	-	8,046,692	4,164,575	386,099	-	4,550,674	3,496,018
Civic Buildings	3,313,183	-	-	-	3,313,183	1,813,467	86,106	-	1,899,573	1,413,610
	14,482,274	1,039,277	-	-	15,521,551	8,005,157	630,226	-	8,635,383	6,886,168
Heritage Assets										
Historical Buildings	-	-	-	-	-	-	-	-	-	-
Painting and Art Galleries	-	-	-	-	-	-	-	-	-	-
Housing Rental Stock										
Housing Rental 1	-	-	-	-	-	-	-	-	-	-
Housing Rental 2	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-
Total carried forward	209,041,168	28,222,472	-	-	237,263,639	95,305,019	10,664,749	-	105,969,767	131,293,872

## APPENDIX B

### BITOU MUNICIPALITY

#### ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2007

	Cost/Revaluation			Accumulated Depreciation and Impairment				Carrying Value
	Opening Balance	Additions	Under Construction	Disposals	Closing Balance	Opening Balance	Additions	
<b>Total brought forward</b>	209,041,168	28,222,472	-	-	237,263,639	95,305,019	10,664,749	131,293,872
<b>Leased Assets</b>	-	-	-	-	-	-	-	-
Sewerage Mains and Purify Vehicles	-	-	-	-	-	-	-	-
Office Equipment	-	-	-	-	-	-	-	-
<b>Other Assets</b>	-	-	-	-	-	-	-	-
Landfill Sites	-	-	-	-	-	-	-	-
Office Equipment	16,117,077	2,392,496	-	-	18,509,573	12,306,845	1,300,138	4,902,590
Furniture and Fittings	742,847	951,934	-	-	1,694,780	333,085	222,379	1,139,317
Bins and Containers	15,636	-	-	-	15,636	11,238	1,759	2,638
Emergency Equipment	5,341,634	-	-	-	5,341,634	2,284,202	264,393	2,793,039
Motor Vehicles	7,800,090	-	-	-	7,800,090	5,748,929	649,512	1,401,650
Fire Engines	1,491,157	-	-	-	1,491,157	858,669	63,785	568,703
Refuse Tankers	1,240,488	-	-	-	1,240,488	1,240,488	-	-
Computer Equipment	2,871,361	206,070	-	-	3,077,431	1,615,437	369,978	1,092,016
Conservancy Tankers	-	-	-	-	-	-	-	-
Watercraft	-	-	-	-	-	-	-	-
<b>Total: Property, Plant and Equipment</b>	35,620,289	3,550,500	-	-	39,170,789	24,398,893	2,871,944	11,899,953
	244,661,457	31,772,972	-	-	276,434,428	119,703,912	13,536,693	143,193,825

BITOU MUNICIPALITY

## ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2007

## ANALYSIS OF INVESTMENT PROPERTY AS AT 30 JUNE 2007

[illegible]

## ANALYSIS OF INTANGIBLE ASSETS AS AT 30 JUNE 2007

	Cost/Revaluation				Accumulated Amortisation and Impairment					Carrying Value
	Opening Balance	Additions	Under Development	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	
Website Development Valuation Roll	757,337	-	-	-	757,337	564,828	73,101	-	637,930	119,407
	757,337	-	-	-	757,337	564,828	73,101	-	637,930	119,407
Total: Intangible Assets	245,418,794	31,772,972	-	-	277,191,765	120,268,740	13,609,794	-	133,878,533	143,313,232
Grand Total										

# APPENDIX B (2)

## BITOU MUNICIPALITY

### ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2008

	Cost/Revaluation				Accumulated Depreciation and Impairment				Carrying Value
	Opening Balance	Additions	Under Construction	Disposals	Closing Balance	Opening Balance	Additions	Disposals	
<b>Land and Buildings</b>									
Land	8,048,857	676,924	-	-	8,725,781	854,588	101,735	-	7,769,457
Buildings	37,878,504	4,534,045	-	76,065	42,336,484	23,992,531	1,103,103	17,748	17,258,598
	45,927,361	5,210,969	-	76,065	51,062,265	24,847,119	1,204,838	17,748	25,028,055
<b>Infrastructure</b>									
Drains	-	-	-	-	-	-	-	-	-
Roads	50,563,661	14,615,410	-	-	65,179,072	18,548,019	3,046,106	-	43,584,948
Beach Improvements	-	-	-	-	-	-	-	-	-
Sewerage Mains and Purification	41,200,350	6,657,307	-	-	47,857,658	21,526,966	2,155,158	-	24,175,534
Electricity Mains	14,809,893	9,283,262	-	-	24,093,155	4,936,214	764,260	-	18,392,681
Electricity Peak Load Equipment	435,732	40,145	-	-	475,877	202,274	-	-	244,721
Water Mains and Purification	17,399,458	11,528	-	-	17,410,985	7,467,106	979,697	-	8,964,182
Reservoirs - Water	11,578,724	2,030,295	-	-	13,609,020	6,650,785	584,882	-	6,373,353
Water Meters	145,015	337,788	-	-	482,803	70,679	8,768	-	403,356
Water Mains	37,861,210	12,112,295	-	-	49,973,505	12,794,175	1,528,594	-	35,650,736
Landfill Sites	1,820,684	474,548	-	-	2,295,232	291,047	91,034	-	1,913,151
	175,814,730	45,562,579	-	-	221,377,307	72,487,264	9,187,381	-	139,702,662
<b>Community Assets</b>									
Parks and Gardens	3,219,442	70,150	-	-	3,289,592	2,101,455	77,022	-	1,111,115
Libraries	942,234	-	-	-	942,234	83,681	31,408	-	827,145
Recreation Grounds	8,046,692	362,329	-	-	8,409,021	4,550,674	402,334	-	3,456,013
Civic Buildings	3,313,183	-	-	203,475	3,109,708	1,899,573	84,233	29,181	1,155,083
	15,521,551	432,479	-	203,475	15,750,555	8,635,383	594,997	29,181	6,549,356
<b>Heritage Assets</b>									
Historical Buildings	-	-	-	-	-	-	-	-	-
Painting and Art Galleries	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-
<b>Housing Rental Stock</b>									
Housing Rental 1	-	-	-	-	-	-	-	-	-
Housing Rental 2	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-
<b>Total carried forward</b>	237,263,642	51,206,027	-	279,540	288,190,127	105,969,766	10,987,216	46,929	171,280,073

# APPENDIX B (2)

## BITOU MUNICIPALITY

### ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2008

	Cost/Revaluation			Accumulated Depreciation and Impairment				Carrying Value
	Opening Balance	Additions	Under Construction	Disposals	Closing Balance	Opening Balance	Additions	
<b>Total brought forward</b>	237,263,642	51,206,027	-	279,540	288,190,127	105,969,766	10,987,216	171,280,073
<b>Leased Assets</b>	-	-	-	-	-	-	-	-
Sewerage Mains and Purify Vehicles	-	-	-	-	-	-	-	-
Office Equipment	-	-	-	-	-	-	-	-
<b>Other Assets</b>	-	-	-	-	-	-	-	-
Landfill Sites	-	-	-	-	-	-	-	-
Office Equipment	18,509,573	1,113,274	-	-	16,993,764	13,606,983	1,355,377	4,631,482
Furniture and Fittings	1,694,780	112,556	-	2,629,083	1,692,792	555,463	306,995	926,865
Bins and Containers	15,636	-	-	114,544	15,636	12,998	1,759	879
Emergency Equipment	5,341,634	1,432,647	-	-	6,774,280	2,548,595	267,362	3,958,324
Motor Vehicles	7,800,090	301,660	-	136,458	7,965,292	6,398,440	576,411	1,124,315
Fire Engines	1,491,157	-	-	-	1,491,157	922,454	63,785	504,918
Refuse Tankers	1,240,488	-	-	-	1,240,488	1,240,488	-	-
Computer Equipment	3,077,431	359,985	-	271,739	3,165,677	1,985,415	386,110	1,053,611
Conservancy Tankers	-	-	-	-	-	-	-	-
Watercraft	-	-	-	-	-	-	-	-
<b>Total: Property, Plant and Equipment</b>	39,170,789	3,320,122	-	3,151,824	39,339,086	27,270,837	2,957,798	12,200,394
	276,434,431	54,526,149	-	3,431,364	327,529,213	133,240,603	13,945,014	183,480,467

# APPENDIX B (2)

## BITOU MUNICIPALITY

### ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2008

#### ANALYSIS OF INVESTMENT PROPERTY AS AT 30 JUNE

	Cost/Revaluation				Accumulated Depreciation and Impairment			
	Opening Balance	Additions	Under Construction	Disposals	Closing Balance	Opening Balance	Additions	Disposals
Land and Buildings								
Land								
Buildings								
Total: Investment Property								

#### ANALYSIS OF INTANGIBLE ASSETS AS AT 30 JUNE 2008

	Cost/Revaluation				Accumulated Amortisation and Impairment			
	Opening Balance	Additions	Under Development	Disposals	Closing Balance	Opening Balance	Additions	Disposals
Website Development								
Valuation Roll								
Total: Intangible Assets								
Grand Total								

# APPENDIX C

## BITOU MUNICIPALITY

### SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2008

	Cost/Revaluation					Accumulated Depreciation				Carrying Value
	Opening Balance	Additions	Under Construction	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	
Executive and Council	3,348,673	188,428	-	-	3,537,101	2,065,829	310,012	-	2,375,841	1,161,260
Finance and Administration	48,134,712	919,673	-	-	49,054,385	29,266,935	1,374,604	-	30,641,539	18,412,846
Planning and Development	741,770	27,339	-	-	769,110	477,871	62,664	-	540,534	228,576
Health	3,450,587	-	-	3,450,587	-	3,122,209	26,197	3,148,406	-	-
Community and Social Services	2,020,034	358,953	-	-	2,378,987	475,280	123,618	-	598,898	1,780,089
Housing	2,270,390	3,029,998	-	-	5,300,388	1,312,858	72,526	-	1,385,383	3,915,005
Public Safety	10,210,950	502,968	-	-	10,713,918	4,324,120	1,086,784	-	5,410,904	5,303,014
Sport and Recreation	10,362,560	982,089	-	-	11,344,649	5,208,969	489,663	-	5,698,632	5,646,017
Environmental Protection	-	-	-	-	-	-	-	-	-	-
Waste Water Management	48,153,304	8,109,817	-	-	56,263,121	25,201,763	2,607,300	-	27,809,063	28,454,058
Waste Management	6,055,757	476,334	-	-	6,532,091	3,236,145	217,952	-	3,454,098	3,077,993
Road Transport	48,871,540	14,176,803	-	-	63,048,343	20,012,391	2,949,789	-	22,962,181	40,086,162
Water	71,844,746	14,337,674	-	-	86,182,420	30,989,780	3,362,196	-	34,351,977	51,830,443
Electricity	20,975,602	10,301,428	-	-	31,277,029	8,067,636	1,264,004	-	9,331,640	21,945,389
Other	751,142	1,114,645	-	-	1,865,787	116,748	41,044	-	157,792	1,707,995
TOTAL	277,191,767	54,526,148	-	3,450,587	328,267,329	133,878,534	13,988,353	3,148,406	144,718,482	183,548,847

## APPENDIX D

### BITOU MUNICIPALITY

#### SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2008

	2007	2007	2007	2008	2008	2008
	Actual	Actual	Surplus/	Actual	Actual	Surplus/
	Income	Expenditure	(Deficit)	Income	Expenditure	(Deficit)
	R	R	R	R	R	R
Executive and Council	15,304,488	24,120,595	(8,816,107)	31,913,827	46,924,223	(15,010,396)
Finance and Administration	43,645,670	12,427,104	31,218,566	57,254,287	15,979,700	41,274,587
Planning and Development	2,331,420	4,952,513	(2,621,093)	2,353,695	5,959,906	(3,606,211)
Health	3,437,053	3,435,360	1,693	406,314	538,495	(132,180)
Community and Social Services	57,092	2,604,870	(2,547,778)	30,576	3,286,334	(3,255,758)
Housing	205,358	2,920,045	(2,714,687)	15,297,308	17,911,088	(2,613,780)
Public Safety	4,758,075	6,459,890	(1,701,815)	5,730,750	7,074,767	(1,344,018)
Sport and Recreation	409,288	7,111,001	(6,701,713)	1,187,983	8,499,843	(7,311,860)
Waste Water Management	17,880,856	10,408,473	7,472,383	19,393,127	10,243,349	9,149,778
Waste Management	9,008,052	5,996,702	3,011,350	9,466,326	8,612,453	853,873
Road Transport	-	9,518,151	(9,518,151)	478,003	11,667,118	(11,189,115)
Water	21,677,084	13,810,582	7,866,502	22,173,852	15,185,112	6,988,740
Electricity	36,803,620	27,978,813	8,824,807	38,997,475	34,916,559	4,080,916
Other	954,110	4,104,996	(3,150,886)	1,528,098	3,500,753	(1,972,655)
<b>Sub Total</b>	<b>156,472,166</b>	<b>135,849,095</b>	<b>20,623,071</b>	<b>206,211,621</b>	<b>190,299,699</b>	<b>15,911,921</b>
Health (Discontinued operations)	-	-	-	-	-	-
<b>Total</b>	<b>156,472,166</b>	<b>135,849,095</b>	<b>20,623,071</b>	<b>206,211,621</b>	<b>190,299,699</b>	<b>15,911,921</b>
Less Inter- Departmental Charges	(12,962,991)	(12,963,823)	(832)	(13,685,314)	(13,685,314)	-
<b>Total</b>	<b>143,509,175</b>	<b>122,885,272</b>	<b>20,622,239</b>	<b>192,526,307</b>	<b>176,614,385</b>	<b>15,911,921</b>



# APPENDIX E (1)

## BITOU MUNICIPALITY

### ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2008

REVENUE	2008 Actual R	2008 Budget R	2008 Variance R	2008 Variance %	Explanation of Significant Variances greater than 10 % versus Budget
Property rates	47,169,774	43,837,500	3,332,274	7.60	
Service charges	88,727,078	91,765,971	(3,038,893)	(3.31)	
Rental of facilities and equipment	674,365	877,714	(203,349)	(23.17)	Decreased utilization of Council's facilities
Interest earned - external investments	8,472,289	1,000,000	7,472,289	747.23	Change in accounting policy
Interest earned - outstanding debtors	2,123,630	900,000	1,223,630	135.96	Growth in outstanding debtors
Dividends received	-	-	-	-	
Fines	4,630,276	3,205,150	1,425,126	44.46	Increased number of speed fines issued and collected
Licences and permits	26,341	-	26,341	-	
Income for agency services	-	-	-	-	
Government grants and subsidies	33,890,778	34,998,780	(1,108,002)	(3.17)	
Other income	6,811,776	4,287,860	2,523,916	58.86	Increased revenue from building plan fees
<b>Total Revenue</b>	<b>192,526,307</b>	<b>180,872,975</b>	<b>11,653,332</b>	<b>6.44</b>	
<b>EXPENDITURE</b>					
Employee related costs	54,205,834	61,819,752	(7,613,918)	(12.32)	Savings on vacant positions
Remuneration of Councillors	2,079,949	2,341,866	(261,917)	(11.18)	Budgeted for a higher percentage increase in councillors remuneration
Bad debts	5,493,631	55,000	5,438,631	9,888.42	Unrealistic budget
Collection costs	-	60,000	(60,000)	(100.00)	Collection cost is recovered from debtors
Depreciation	13,988,353	8,202,229	5,786,124	70.34	Change in accounting policy
Repairs and maintenance	7,646,726	6,786,533	860,193	12.67	Increased expenditure due to November 2007 floods
Interest paid on external borrowings	3,835,926	4,187,171	(351,245)	(8.39)	Did not took up new loans
Bulk purchases	22,255,299	20,757,115	1,498,184	7.22	
Contracted services	3,359,731	1,762,742	1,596,989	90.60	Investigation into Julia Street landslip not budgeted for
Grants and subsidies paid	21,925,334	20,122,554	1,802,780	8.96	
General expenses- other	41,823,602	42,570,951	(747,349)	(1.76)	
Loss on disposal of property, plant and equipment	-	-	-	-	
<b>Total Expenditure</b>	<b>176,614,386</b>	<b>168,665,913</b>	<b>7,948,472</b>	<b>4.71</b>	
<b>Surplus/(Deficit) for the year from discontinued operations</b>					
<b>NET SURPLUS/(DEFICIT) FOR THE YEAR</b>	<b>15,911,921</b>	<b>12,207,062</b>	<b>3,704,860</b>	<b>30.35</b>	

APPENDIX E (2)

BITOU MUNICIPALITY

ACTUAL VERSUS BUDGET (ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT) FOR THE YEAR ENDED 30 JUNE 2008

	2008 Actual R	2008 Under Construction R	2008 Total Additions R	2008 Budget R	2008 Variance R	2008 Variance %	Explanation of Significant Variances greater than 5 % versus Budget
Community Services	358,953	-	358,953	391,940	(32,987)	(8.42)	Savings on projects
Executive and Council	188,428	-	188,428	382,200	(193,772)	(50.70)	Savings on furniture and equipment
Aerodrome	1,114,645	-	1,114,645	-	1,114,645	-	Funded with grant funding not budgeted for
Electricity	10,301,428	-	10,301,428	9,685,000	616,428	6.36	Increased construction costs
Planning and Development	27,339	-	27,339	48,000	(20,661)	(43.04)	Savings on budgeted items
Finance and Administration	919,673	-	919,673	535,000	384,673	71.90	Upgrade of municipal buildings not budgeted for
Public Safety	502,968	-	502,968	1,887,000	(1,384,032)	(73.35)	Could not secure grant funding for transport facilities
Housing	3,029,998	-	3,029,998	5,203,765	(2,173,767)	(41.77)	Could not secure grant funding for certain projects
Parks and Recreational	982,089	-	982,089	678,300	303,789	44.79	Sportsgrounds in Kurland not budgeted for although grant eas secured
Refuse Removal	476,334	-	476,334	3,045,000	(2,568,666)	(84.36)	Could not secure funds for waste by rail project
Roads and Stormwater	14,176,803	-	14,176,803	11,940,000	2,236,803	18.73	Increased construction costs
Sewerage	8,109,817	-	8,109,817	8,312,000	(202,183)	(2.43)	
Water	14,337,674	-	14,337,674	13,908,563	429,111	3.09	
	54,526,148	-	54,526,148	56,016,768	(1,490,619)	(2.66)	

DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF THE MFMA, 56 OF 2003

### Grant and Subsidies Received

Name of Grant	Name of organ of state or municipal entity	Quarterly Receipts					Quarterly expenditure					Unspent at 30 June 2008	Grants and Subsidies delayed / withheld			Reason for withholding of funds	Did your municipality comply with the grant conditions in terms of the grant framework in the latest Division of Revenue Act	
		Unspent at 30 June 2007	Sept	Dec	March	June	Total Receipts	Sept	Dec	March	June		Total Expenditure	June	Sept			Dec
Airport fencing Various MIG Grants	DPLG	(511,618)	-	-	-	-	-	430,021	81,598	-	-	-	-	-	-	-	None	Yes
Public Transport Sportsgrounds Kurland & Krauschoek	Prov Dot & PW	(2,784,651)	(3,050,000)	(140,000)	(570,000)	(5,812,000)	(9,572,000)	1,114,647	4,274,868	635,835	522,266	6,547,616	(5,809,035)	-	-	-	None	Yes
Eden DM	Eden DM	(539,362)	-	-	-	-	2,966	-	-	-	536,396	536,396	0	-	-	-	None	Yes
Hostel Project	Prov Dep of LG & Housing	-	(73,559)	(289,283)	(1,759,354)	(900,162)	(3,62,329)	280,451	81,878	-	-	362,329	-	-	-	-	None	Yes
Electrification Bosisag/Qolweni	DME	-	-	-	-	-	(3,022,357)	-	64,326	1,055,165	1,902,667	3,022,357	-	-	-	-	None	Yes
Financial support Spatial planning DE&A&P	National Treasury	(28,348)	(361,000)	(1,317,000)	(386,000)	(7,074,491)	(2,064,000)	-	180,707	597,477	1,185,164	1,963,348	(129,000)	-	-	-	None	Yes
MMC Kurland DE&A&P	DE&A&P	(2,863,979)	(3,484,559)	(2,743,317)	(2,715,354)	(7,074,491)	(18,881,699)	1,875,119	4,683,576	2,288,477	4,146,493	12,943,655	(5,938,035)	-	-	-	None	Yes
Traffic disaster Revitalise urban areas	DE&A&P	(1,008,412)	(250,000)	-	-	-	(250,000)	56,797	60,603	94,219	433,835	645,454	(612,958)	-	-	-	None	Yes
Socio econ upgrade Informal settlements	DE&A&P	(84,200)	-	-	-	-	-	2,686	19,185	3,715	-	25,586	(84,200)	-	-	-	None	Yes
Ursohomvu Youth Fund	UTYF	(42,777)	-	-	-	-	-	-	11,619	3,710	-	15,329	(17,191)	-	-	-	None	Yes
Emergency Housing	Prov Dep of LG & Housing	(16,111)	-	-	-	-	-	-	-	-	-	-	(782)	-	-	-	None	Yes
Qolweni/Bosisag Prov Dep of LG & Housing	Prov Dep of LG & Housing	(50,000)	-	-	-	-	-	-	-	-	-	-	(50,000)	-	-	-	None	Yes
Social Responsibility	Developers	(50,000)	-	-	-	-	-	-	-	-	-	-	(50,000)	-	-	-	None	Yes
Revenue enhancement grant LED Learnership	DPLG THETA	(661,282)	(19,980)	-	(26,352)	(414,450)	(460,782)	-	28,302	-	-	28,302	(1,093,762)	-	-	-	None	Yes
		(371,502)	-	-	-	-	-	-	-	-	88,207	88,207	(283,294)	-	-	-	None	Yes
		-	-	(362,500)	-	-	(362,500)	-	-	207,000	155,500	362,500	-	-	-	-	None	Yes
		(5,048,386)	(389,980)	(4,173,784)	(1,277,648)	(414,450)	(20,893,362)	2,225,604	4,612,864	2,252,451	3,691,145	12,937,562	(13,166,685)	-	-	-	None	Yes
		(8,912,365)	(3,874,539)	(5,917,101)	(18,993,002)	(7,488,940)	(39,775,061)	4,050,722	9,296,440	4,540,921	7,837,638	25,881,227	(19,304,720)	-	-	-	None	Yes
Kurland Project Link Subsidy Project	Prov Dep of LG & Housing	(475,626)	-	-	(492,187)	-	(492,187)	1,574,172	101,679	2,594	2,249	1,680,693	712,880	-	-	-	None	Yes
Kvano Housing Phase 4	Prov Dep of LG & Housing	-	-	-	-	-	-	-	34,592	18,245	417,026	469,863	469,863	-	-	-	None	Yes
Kranchoek Project Link subsidy	Prov Dep of LG & Housing	1,440,899	-	-	(1,088,965)	-	(1,088,965)	282,390	27,922	-	2,069	312,381	664,315	-	-	-	None	Yes
TOTAL		(7,947,092)	(3,874,539)	(5,917,101)	(20,574,154)	(7,488,940)	(41,356,213)	5,907,284	9,460,632	4,561,766	8,258,981	28,344,164	(17,457,662)	-	-	-	None	Yes

## **APPENDIX G**

### **BITHO MUNICIPALITY EXEMPTIONS FROM MUNICIPAL FINANCE MANAGEMENT ACT 30 JUNE 2008**

The Minister of Finance has, in terms of General notice 522 of 2007 exempted compliance with certain of the above mentioned standards and aspects or parts of these standards. In the table set out below, the exemptions offered have been listed; together with an indication of the process that the municipality will follow regarding plans to implement the exemptions. Furthermore, the extent to which information in the AFS would need to be adjusted to achieve compliance with the exempted standards has also been stated.

## APPENDIX G

Std. no.	Standard title	GRAP, GAMAP and/or SA GAAP requirement(s) exempted in terms of General notice 522 of 2007.	Exemption Adopted Y/N	Description of implementation plans that still need to be implemented to achieve full compliance with exempted standards	Extent to which information in the AFS would need to be adjusted to achieve compliance with the exempted standards
GRAP 03	Accounting policies, changes in accounting estimates and errors	<p>Identification and impact of GRAP standards that have been issued but are not yet effective (GRAP 3.30 – 3.31). A list of these standards is as follows:</p> <p>GRAP 4 The Effects of Changes in Foreign Exchange Rates</p> <p>GRAP 5 Borrowing Costs</p> <p>GRAP 6 Consolidated AFS</p> <p>GRAP 7 Associates</p> <p>GRAP 8 JV's</p> <p>GRAP 9 Revenue</p> <p>GRAP 10 Financial Reporting in Hyperinflationary Economies</p> <p>GRAP 11 Construction Contracts</p> <p>GRAP 12 Inventories</p> <p>GRAP 13 Leases</p> <p>GRAP 14 Events After the Reporting Date</p> <p>GRAP 16 IP</p> <p>GRAP 17 PPE</p> <p>GRAP 18 Segment Reporting</p> <p>GRAP 19 Provisions, Contingent Liabilities and Contingent Assets</p> <p>GRAP 100 Non Current assets held for sale</p> <p>GRAP 101 Agriculture</p> <p>GRAP 102 Intangible Assets</p>	Y	<p>The following GRAP standards have been issued but are not yet effective. The implementation plans that still need to be implemented to achieve full compliance with the standards are set out below.</p> <p>GRAP 4, 6, 7, 8, 9, 12, 17, 19 Currently the municipality adheres to the requirements of the comparable GAMAP standards. Determine the difference between the applicable accounting treatment and disclosure requirements of the GAMAP versus the GRAP standards and make any necessary adjustments to the AFS.</p> <p>GRAP 5 Borrowing Costs. Determine the applicable accounting treatment and disclosure requirements of GRAP 5 for the municipality.</p> <p>GRAP 10 and 11. The municipality does not have these types of transactions.</p> <p>GRAP 13, 14, 16, 18, 100, 101 and 102. The municipality adheres to the requirements of the comparable GAAP standards except for the exemptions adopted as set out below per standard.</p>	<p>Highly likely that no adjustments to the AFS will be required as there are no fundamental differences between these GAMAP and GRAP standards.</p> <p>A portion of interest cost on interest bearing borrowings, in respect of assets that take a substantial period of time for construction and before they are ready for use, may be capitalised to the relevant asset and will result in interest cost in the Statement of Financial Performance reducing and the cost of the asset increasing.</p> <p>No adjustment required.</p> <p>See adjustments required as per relevant sections of this document set out below.</p>
		Changes in accounting policies (GRAP 3.14, 19)	Y	No action plans are required. Where it is practicable to do so, all changes in accounting policy are dealt with by the municipality retrospectively and disclosed as such in accordance with the requirements of GRAP 3.	No adjustments to the AFS are required.

## APPENDIX G

GAMAP 12	Inventories	The entire standard as far as it relates to immovable capital assets inventory that is accounted for in terms of GAMAP17.	Y	<p>Currently the municipality does not reflect land and buildings that will be sold within the next twelve months as inventories, but carries these items as part of PPE. The following implementation plans will need to be executed to ensure compliance with GAMAP 12:</p> <ol style="list-style-type: none"> <li>1) Ensure that all land and buildings under the control of the municipality are reflected on the Fixed asset Register of the municipality by implementing the action plans set out as points 1) to 4) for the section on Investment Property as set out below.</li> <li>2) Ensure that at the first balance sheet date that this specific requirement of GAMAP 12 will be implemented to show these assets as inventories, that all land and buildings that will be sold within the next twelve months are removed from the FAR and are reclassified as inventories.</li> <li>3) Ensure that these inventories are measured at the lower of cost price and NRV.</li> <li>4) Ensure that the necessary disclosure requirements relating to inventories of land and buildings are met.</li> </ol>	<p>The following adjustments will need to be made to the AFS to comply with accounting for inventories land and buildings in terms of GAMAP 12:</p> <ol style="list-style-type: none"> <li>1) The land and buildings will not be reflected as part of PPE (Non Current assets) on the Statement of Financial Position, but will be reflected as a current asset: inventories.</li> <li>2) If inventory of land and buildings, which is currently reflected as part of PPE is currently sold a gain or loss on disposal of PPE is reflected in the Statement of Financial Performance. When these items are reclassified as inventories and sold the Statement of Financial Performance will reflect the sales proceeds as well as the cost of inventories land and buildings disposed of as separate line items.</li> <li>3) The buildings which are currently shown as PPE, and which are depreciated will not be depreciated if they form part of inventories.</li> <li>4) The classes of inventories as recorded in the notes to the AFS will be expanded with another class, namely: inventories: land and buildings.</li> <li>5) The accounting policy note will have to be amended to set out how inventories: land and buildings are accounted for.</li> </ol>
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## APPENDIX G

		The entire standard as far as it relates to water stock that was not purchased by the municipality.	Y	<p>1) Ensure that systems are in place to determine what percentage of water on hand at year end has been purchased and what percentage has been produced (purified).</p> <p>2) Determine what valuation methodology will best serve to value water on hand at year end i.e. FIFO or weighted average.</p> <p>3) Value the purchased water at year end by utilising the FIFO methodology and multiplying purchased water on hand at year end with the latest purchase price.</p> <p>4) Value purified water on hand at year end by determining a production cost per unit of water purified and then applying this to the volume of purified water on hand at year end. The production cost per unit must be based on:</p> <ul style="list-style-type: none"> <li>Costs directly related to the units of production such as direct materials and direct labour. This could include expense items such as wage costs of plant workers and chemicals used in the production process.</li> <li>A systematic allocation of fixed production overheads, which are indirect costs of production that remain relatively constant, regardless of the level of production, such as depreciation of manufacturing equipment and the production facility (water purification plant).</li> <li>A systematic allocation of variable production overheads, which are indirect costs of production that vary in accordance with variances in the volume of production. Examples are indirect labour such as the salary of a factory foreman, and also indirect materials.</li> </ul>	<p>The following adjustments will need to be made to the AFS to comply with accounting for purified water in terms of GAMAP 12:</p> <ol style="list-style-type: none"> <li>The value of inventories on the Statement of Financial Position will include purchased as well as purified water.</li> <li>The accounting policy should reflect the valuation methodology for purified and purchased water.</li> </ol>
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## APPENDIX G

GAMAP 17	Property, plant and equipment	Review of useful life of items of PPE recognised in the annual financial statements (GAMAP 17.69 – 61, 77)	Y	<ol style="list-style-type: none"> <li>1) CFO to issue a memo to all departmental managers at year end to request them to ensure that the remaining useful life of all items of PPE as reflected for assets under their control per the FAR is realistic.</li> <li>2) Departmental managers should inform the manager responsible for assets of items of PPE with remaining useful lives shorter or longer than those reflected on the FAR at year end.</li> <li>3) Pass necessary accounting entries and also do necessary disclosure of the change in estimate.</li> </ol>	<p>The following adjustments will need to be made to the AFS if the review of useful lives of PPE result in a change in estimate.</p> <ol style="list-style-type: none"> <li>1) The depreciation charge for the year in which the change in estimate takes place as well as for all other years of the remaining useful life of the asset will be adjusted. This change in accounting treatment will therefore take place prospectively.</li> <li>2) A note on the change in estimate will be disclosed if the change in estimate is material.</li> </ol>
		Review of depreciation method applied to PPE recognised in the annual financial statements (GAMAP 17.62, 77)	Y	<ol style="list-style-type: none"> <li>1) CFO to issue a memo to all departmental managers at year end to request them to ensure that the depreciation method used to depreciate all items of PPE as reflected as being under their control per the FAR is realistic.</li> <li>2) CFO to review the depreciation method used to depreciate different classes of assets annually to assess its applicability for each class of asset.</li> <li>3) Departmental managers should inform the manager responsible for assets of items of PPE with remaining useful lives shorter or longer than those reflected on the FAR at year end.</li> <li>4) Pass necessary accounting entries and also do necessary disclosure of the change in estimate.</li> </ol>	<p>The following adjustments will need to be made to the AFS if the review of depreciation methods of PPE results in a change in estimate.</p> <ol style="list-style-type: none"> <li>1) The depreciation charge for the year in which the change in estimate takes place as well as for all other years of the remaining useful life of the asset will be adjusted. This change in accounting treatment will therefore take place prospectively.</li> <li>2) A note on the change in estimate will be disclosed if the change in estimate is material.</li> </ol>



## APPENDIX G

		Impairment of non-cash generating assets (GAMAP 17.64 – 69, 75(e)(v) - (vi))	Y	<p>1) Identify items of PPE that may have suffered impairment losses at year end by issuing a memo to all departments requesting them to identify assets that:</p> <ul style="list-style-type: none"> <li>➤ Are in a state of permanent damage at year end (no impairment losses will be recognised in respect of assets damaged that will be repaired after year end);</li> <li>➤ Are stolen at year end (impairment loss is recorded equal to the carrying amount of stolen assets at the date of the theft);</li> <li>➤ Are technologically obsolete at year end (this can be facilitated by supplying departments with a FAR printout pertaining to major assets showing the remaining useful lives of assets - the departments can then assess and indicate cases where the assessed remaining useful life is shorter than the remaining useful life on the printout);</li> <li>➤ Have remained idle for a considerable period either prior to them being put into use at year end or during their useful life.</li> <li>➤ Show that they are not performing according to their specifications or according to industry accepted norms.</li> </ul> <p>2) Calculate and record impairment losses by determining the difference between the asset's carrying amount and its recoverable (service) amount where the recoverable amount is less than the asset's carrying amount.</p>	<p>The following adjustments will need to be made to the AFS if impairment losses are calculated and disclosed for the first time:</p> <ol style="list-style-type: none"> <li>1) The carrying amount of PPE will be reduced.</li> <li>2) The reconciliation between the opening and closing balance of the carrying amount of PPE will have to reflect impairment losses.</li> <li>3) The accounting policy relating to PPE will have to be amended to indicate how the entity deals with and discloses impairment losses.</li> <li>4) The impairment loss itself should be reflected in the notes to the Statement of Financial Performance, if material.</li> <li>5) All disclosure requirements as required by IPSAS 21.</li> </ol>
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## APPENDIX G

IAS 14 AC 115	Segment reporting	Entire standard	Y	<p>1) Identify items of PPE that may have suffered impairment losses at year end by issuing a memo to all departments requesting them to identify assets that:</p> <ul style="list-style-type: none"> <li>➤ Are in a state of permanent damage at year end (no impairment losses will be recognised in respect of assets damaged that will be repaired after year end);</li> <li>➤ Are stolen at year end (impairment loss is recorded equal to the carrying amount of stolen assets at the date of the theft);</li> <li>➤ Are technologically obsolete at year end (this can be facilitated by supplying departments with a FAR printout pertaining to major assets showing the remaining useful lives of assets - the departments can then assess and indicate cases where the assessed remaining useful life is shorter than the remaining useful life on the printout);</li> <li>➤ Have remained idle for a considerable period either prior to them being put into use at year end or during their useful life.</li> <li>➤ Show that they are not performing according to their specifications or according to industry accepted norms.</li> </ul> <p>Calculate and record impairment losses by determining the difference between the asset's carrying amount and its recoverable (service) amount where the recoverable amount is less than the asset's carrying amount.</p>	<p>The following adjustments will need to be made to the AFS if impairment losses are calculated and disclosed for the first time:</p> <ol style="list-style-type: none"> <li>1) The carrying amount of PPE will be reduced.</li> <li>2) The reconciliation between the opening and closing balance of the carrying amount of PPE will have to reflect impairment losses.</li> <li>3) The accounting policy relating to PPE will have to be amended to indicate how the entity deals with and discloses impairment losses.</li> <li>4) The impairment loss itself should be reflected in the notes to the Statement of Financial Performance, if material.</li> <li>5) All disclosure requirements as required by IAS 36.</li> </ol>
			Y	<ol style="list-style-type: none"> <li>1) Obtain an understanding of the definitions of business segments and geographical segments as set out in IAS 14.</li> <li>2) Determine the business and geographical segments of the municipality.</li> <li>3) Decide on the primary and secondary reporting formats for the entity. Therefore a decision must be made whether business is primary and geographical secondary or vice versa.</li> <li>4) Change the chart of accounts and accounting software package to ensure</li> </ol>	<p>The AFS will have to be adjusted to ensure that the disclosure requirements of IAS 14.51 to .67 relating to segment information are met.</p> <p>The primary reporting format requires inter alia, disclosure of:</p> <ol style="list-style-type: none"> <li>1) Segment revenue for every reportable segment.</li> <li>2) Segment results for every reportable segment.</li> <li>3) Segment assets for every reportable segment.</li> <li>4) The total cost incurred during the period to acquire reportable segment long term assets.</li> <li>5) A reconciliation between the information disclosed</li> </ol>

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IAS 17 AC 105	Leases	Recognising operating lease payments / receipts on a straight-line basis if the amounts are recognised on the basis of the cash flows in the lease agreement (IAS 17.33 – 34 and 50 – 51 and SAICA circular 12/06.8 – 11)	Y	<p>that the segmental revenue, expenses, results, assets and liabilities can be accounted for and presented in the AFS according to the primary and secondary reporting formats.</p> <p>1) The municipality must obtain copies of all existing current lease agreements. 2) For each lease agreement the municipality must distinguish each lease as a Finance Leases or an Operating Lease. 3) Assets held in terms of Finance Leases as defined in IAS 17 must be capitalised and subsequently depreciated and/or impaired. 4) A complete Lease Contract Register must be kept to ensure the completeness of lease transactions. 5) Operating Leases that have fluctuating payment arrangements must be identified and operating lease expenses that fall within this category must be straight-lined (smoothed).</p>	<p>for reportable segments and the information in the entity's own financial statements.</p> <p>Based on the decision of the entity whether business or geographical segments are the primary reporting format, the secondary reporting format requirements as set out in IAS 14 will also need to be disclosed in the AFS.</p> <p>The following adjustments will need to be made to the AFS if operating lease payments are straight lined as opposed to accounting for them based on cash flows:</p> <p>1) Currently, operating lease payments are accounted for based on the cash flows in the lease agreement and therefore the actual amount of lease instalments incurred per annum is recognised in the Statement of Financial Performance. Once straight lining is done the amount recognised in the Statement of Financial Performance will be the average annual instalment calculated over the entire lifespan of the lease. If the actual instalments in a year are more than the average instalment the difference will be shown either as a prepayment (debtor) in the AFS. If the actual instalments in a year are less than the average instalment the difference will be shown either as an accrual (creditor) in the AFS.</p>
IAS 19 (AC 116)	Employee benefits	Defined benefit accounting as far as it relates to defined benefit plans accounted for as defined contribution plans and defined benefit obligation disclosed by narrative information (IAS 19.29, 48 – 119 and 120A(c) – (q))	Y	<p>1) Create an awareness of the requirements of IAS 19 through a GRAP workshop 2) Identify all the municipalities defined contribution plan liabilities 3) Obtain actuarial valuations of the defined contribution plan liabilities 4) Record the defined benefit liabilities in the AFS of the municipality</p> <p>Currently the municipality does not account for its defined benefit plan and other long-term employee benefits in</p>	<p>The municipality currently accounts for its defined benefit plans as defined contribution plans and therefore no contribution plan liabilities are shown in the AFS. If IAS 19 is implemented, the defined contribution plan liabilities will be accounted for on the statement of financial performance and the statement of financial position.</p>

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				<p>terms of IAS 19. The following will be done by the municipality:</p> <ul style="list-style-type: none"> <li>• Determine and draw up a detailed list of all of the municipality's post retirement benefit plans;</li> <li>• Ensure that the necessary actuarial valuations are requested for all of the above-mentioned identified plans to ensure that the relevant information is obtained to enable the municipality to account for the defined benefit plan (the actuaries will also have to confirm that these identified plans are indeed defined benefit plans). Request that the consultants tasked with preparing the actuarial reports provide the municipality with an indication of the journal entries and disclosure of these entries in the AFS for the financial year.</li> <li>• Determine if there are any multi – employer plans in existence (for e.g. Joint Municipal Pension Funds) within the municipality;</li> <li>• Should the municipality be a member of multi-employer plans, obtain the necessary actuarial information in this regard for all such plans, as required by IAS 19.29 and IAS 19.30;</li> <li>• Draft a list of the other accounting treatment and disclosure requirements of IAS 19 and ensure that these requirements are met in the AFS.</li> </ul>	
IAS 36 (AC 128)	Impairment of assets	Entire standard	Y	<p>1) Identify items of PPE that may have suffered impairment losses at year end by issuing a memo to all departments requesting them to identify assets that:</p> <p>Are in a state of permanent damage at</p> <p>1)</p> <p>2)</p>	<p>The following adjustments will need to be made to the AFS if impairment losses are calculated and disclosed for the first time:</p> <p>1) The carrying amount of PPE will be reduced.</p> <p>2) The reconciliation between the opening and</p>

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IAS 38 (AC 129)	Intangible assets	The entire standard except for the recognition, measurement and disclosure of computer software and website costs (SIC 32) and all other costs are expensed	Y	<p>year end (no impairment losses will be recognised in respect of assets damaged that will be repaired after year end);</p> <ul style="list-style-type: none"> <li>➤ Are stolen at year end (impairment loss is recorded equal to the carrying amount of stolen assets at the date of the theft);</li> <li>➤ Are technologically obsolete at year end (this can be facilitated by supplying departments with a FAR printout pertaining to major assets showing the remaining useful lives of assets - the departments can then assess and indicate cases where the assessed remaining useful life is shorter than the remaining useful life on the printout);</li> <li>➤ Have remained idle for a considerable period either prior to them being put into use at year end or during their useful life.</li> <li>➤ Show that they are not performing according to their specifications or according to industry accepted norms.</li> </ul> <p>2) Calculate and record impairment losses by determining the difference between the asset's carrying amount and its recoverable (service) amount where the recoverable amount is less than the asset's carrying amount.</p>	<p>closing balance of the carrying amount of PPE will have to reflect impairment losses.</p> <p>3) The accounting policy relating to PPE will have to be amended to indicate how the entity deals with and discloses impairment losses.</p> <p>4) The impairment loss itself should be reflected in the notes to the Statement of Financial Performance, if material.</p> <p>5) All disclosure requirements as required by IAS 36.</p>
				<p>1) Ensure that all assets that meet the definition of an intangible asset and the recognition criteria for an asset are identified by scrutinising the FAR and capital purchases file.</p> <p>2) Ensure that all intangible assets identified are measured initially at their cost price. Examples of items which may meet the definition of an intangible asset in the municipal environment are:</p> <ul style="list-style-type: none"> <li>• The cost of the General Valuation Roll</li> <li>• A license fee for operating a tip site, where the fee grants to the municipality the right to operate the tip site for a period of longer than one year.</li> </ul> <p>3) Ensure that the necessary procedures are put in place to ensure the proper accounting treatment of intangible assets after initial recognition to deal with the</p>	<p>The following adjustments will need to be made to the AFS if intangible assets are accounted for in terms of IAS 38:</p> <p>1) If any intangible assets are currently classified as part of PPE, then the application of IAS 38 will lead to a reclassification of these items as intangible assets, with a new line item called intangible assets being reflected on the Statement of Financial Position. This will result in a reduction in the carrying amount of PPE and an increase in a new asset called intangible assets.</p> <p>2) In future a new expense item will be reflected in the Statement of Financial Performance called amortisation, which reflects the amount of "depreciation" on the intangible assets for the year.</p> <p>3) If intangible assets have been incorrectly</p>

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				<p>accounting for subsequent expenditure, amortisation, review of useful lives of intangible assets, retirements and disposals of intangible assets and internally generated intangible assets.</p>	<p>expensed in the past this can be regarded as a prior period error and should be corrected retrospectively by applying GRAP 3. This will lead to a restatement (increase) of the opening balance of the Accumulated Surplus Account as well as an increase in the Asset Value on the Statement of Financial Position of the Municipality.</p> <p>4) An accounting policy note related to the accounting treatment of intangible assets will need to be developed and disclosed.</p> <p>5) The municipality shall disclose the following for each class of intangible assets, distinguishing between internally generated intangible assets and other intangible assets:</p> <p>(a) The useful lives or the amortisation rates used;</p> <p>(b) The amortisation methods used for intangible assets with finite useful lives;</p> <p>(c) The gross carrying amount and any accumulated amortisation (aggregated with accumulated impairment losses) at the beginning and end of the period;</p> <p>(d) The line item(s) of the Statement of Financial Performance in which any amortisation of intangible assets is included;</p> <p>(e) A reconciliation of the carrying amount at the beginning and end of the period showing:</p> <p>(i) Additions, indicating separately those from internal development, those acquired separately, and those acquired through business combinations;</p> <p>(ii) Any amortisation recognised during the period;</p> <p>6) The municipality shall disclose the aggregate amount of research and development expenditure recognised as an expense during the period.</p> <p>7) The municipality shall give a description of any fully amortised intangible asset that is still in use.</p> <p>8) The municipality shall also disclose the following:</p> <ul style="list-style-type: none"> <li>• A description, the carrying amount and remaining amortisation period of any individual intangible asset that is material to the entity's financial statements.</li> </ul>
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IAS 39 (AC 133)	Financial instruments: recognition and measurement	Initially measuring financial assets and liabilities at fair value(IAS 39.43, AG79, AG64 – AG65 and SAICA circular 9/06)	Y	<p>The municipality is of the opinion that it is, through its normal activities, complying with the requirements of the initial measurement of IAS 39. However in cases that might be identified where initial recognition is not done correctly, the following actions would be required.</p> <p>1) Initial recognition: IAS 39 requires recognition of a financial asset or a financial liability when, and only when, the entity becomes a party to the contractual provisions of the instrument, subject to the following provisions in respect of regular way purchases.</p> <p>2) Initial measurement: Initially, financial assets and liabilities should be measured at fair value (including transaction costs, for assets and liabilities not measured at fair value through profit or loss.</p>	<ul style="list-style-type: none"><li>For intangible assets acquired by way of a government grant and initially recognised at fair value:<ul style="list-style-type: none"><li>(i) The fair value initially recognised for these assets;</li><li>(ii) Their carrying amount; and</li><li>(iii) Whether they are measured after recognition under the cost model or the revaluation model.</li></ul></li><li>The amount of contractual commitments for the acquisition of intangible assets.</li></ul> <p>If Financial Assets and Liabilities that was not initially measured at fair value are identified, an correction should be made on the recognition and measurement of such Financial assets and liabilities.</p>
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IAS 40 (AC 135)	Investment property	The entire standard to the extent that the property is accounted for in terms of GAMAP-17	Y	<p>1) Prepare a list of all possible names under which property belonging to the municipality could have been registered in the past.</p> <p>2) Perform a title deeds search using all these names mentioned in 1) above to identify all land and buildings under the control of the municipality.</p> <p>3) Compare the results of the title deeds search to the Fixed Asset Register and the Valuation roll and adjust the FAR to reflect all land and buildings under the control of the municipality.</p> <p>4) Value all land and buildings, which were previously not reflected on the FAR at fair value where historical cost prices and acquisition dates are unknown.</p> <p>5) Identify and reclassify as Investment Property (IP) all land and buildings reflected on the updated FAR meeting the definition of Investment Property as per IAS 40.</p> <p>6) Decide on an accounting policy for the subsequent measurement of IP i.e. cost price less accumulated depreciation or Fair Value.</p> <p>7) Ensure that the necessary procedures are put in place to ensure the proper accounting treatment of IP after initial recognition to deal with the accounting for subsequent expenditure, disposal of IP, transfers of IP, Fair value increases etc.</p>	<p>The following adjustments will need to be made to the AFS if IAS 40 is implemented and if IP is measured at Fair Value.</p> <ul style="list-style-type: none"> <li>The criteria developed by the municipality to distinguish investment property from owner-occupied property and from property held for sale in the ordinary course of operations;</li> <li>The methods and significant assumptions applied in determining the fair value of investment property.</li> <li>The extent to which the fair value of investment property is based on a valuation by an independent valuer.</li> <li>The amounts included in the statement of financial performance for: <ul style="list-style-type: none"> <li>(a) Rental revenue from investment property;</li> <li>(b) Direct operating expenses arising from investment property that generated rental revenue during the period; and</li> <li>(c) Direct operating expenses arising from investment property that did not generate rental revenue during the period;</li> <li>(d) Fair value increases in IP</li> </ul> </li> <li>The existence and amounts of restrictions on the realisability of investment property or the remittance of revenue and proceeds of disposal;</li> <li>Material contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements;</li> <li>A reconciliation of the carrying amount of investment property at the beginning and end of the period showing the following <ul style="list-style-type: none"> <li>(a) Additions, disclosing separately those additions resulting from acquisitions and those resulting from capitalized subsequent expenditure;</li> <li>(b) Additions resulting from acquisitions through municipality combinations;</li> <li>(c) Disposals;</li> <li>(d) Net gains or losses from fair value adjustments;</li> <li>(e) Transfers to and from inventories and owner-occupied property; and</li> <li>(f) Other movements.</li> </ul> </li> </ul>
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					<p>The following adjustments will need to be made to the AFS if IAS 40 is implemented and if IP is measured at Cost Price less accumulated depreciation.</p> <p>If the municipality elects to reflect all of its investment properties at cost less accumulated depreciation, ensure disclosure in the AFS of the following information, in addition to any relevant information required by the disclosure requirements relating to IP at fair value as set out above:</p> <ul style="list-style-type: none"> <li>• The depreciation methods used;</li> <li>• The useful lives or the depreciation rates used;</li> <li>• The gross carrying amount and the accumulated depreciation (aggregated with accumulated impairment losses) at the beginning and end of the period;</li> <li>• A reconciliation of the carrying amount of investment property at the beginning and end of the period showing the following (comparative information is not required):             <ul style="list-style-type: none"> <li>(i) Additions, disclosing separately those additions resulting from acquisitions and those resulting from capitalized subsequent expenditure;</li> <li>(ii) Additions resulting from acquisitions through municipality combinations;</li> <li>(iii) Disposals;</li> <li>(iv) Depreciation;</li> <li>(v) The amount of impairment losses recognized, and the amount of impairment losses reversed, during the period;</li> <li>(vi) The net exchange differences arising on the translation of the financial statements of a foreign municipality;</li> <li>(vii) Transfers to and from inventories and owner – occupied property; and</li> <li>(viii) Other movements; and</li> </ul> </li> <li>• The fair value of investment property. In the exceptional cases, when the municipality cannot determine the fair value of the investment property reliably, the municipality should disclose:             <ul style="list-style-type: none"> <li>(i) A description of the investment property;</li> <li>(ii) An explanation of why fair value cannot be determined reliably; and</li> <li>(iii) If possible, the range of estimates within which fair value is highly likely to lie.</li> </ul> </li> </ul>
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		Disclosure of the fair value of investment property if the cost model is applied and where the municipality has recognised the investment property in terms of this standard (IAS 40.79(e)(i) – (iii))	Y	1) Ensure that, even if IP is reflected at cost procedures are put in place to obtain the Fair Value of IP at each Balance Sheet date for inclusion in the notes to the AFS.	1) The disclosure notes relating to IP would provide an indication of the Fair Value of IP which is carried at cost price less accumulated depreciation on the face of the Statement of Financial Position.
IFRS 5 (AC 142)	Non-current assets held for sale and discontinued operations	Classification, measurement and disclosure of non-current assets held for sale (IFRS 5.6 – 29 (in so far as it relates to non-current assets held for sale) and 38 – 42)	Y	<p>1) Print-outs of the FAR per department must be made and distributed to the Heads of every department. The Heads of departments must scrutinise the FAR applicable to their department and identify assets that meet the criteria for non-current assets held for sale as set out by IFRS 5.6 to .11.</p> <p>2) The Heads of departments must return the departmental FAR, to the CFO and indicate the assets that meet the above mentioned criteria.</p> <p>3) CFO must ensure that every department returned the departmental-FAR and ensure that it has been signed-off as proof that it has been reviewed.</p> <p>4) Scrutinise the fixed asset votes in the GL after year-end up to the date when the financial statements are prepared, to identify assets that are sold after year-end and meet the IFRS 5.6 to 11 requirements at year end. Ensure that these assets are classified as Non-current assets held for sale in the Financial Statements for the year under review.</p> <p>5) Measure and disclose the Non Current Assets held for Sale in accordance with IFRS 5 requirements.</p>	<p>1) Non Current Assets held for sale will no longer be recorded as part of PPE and will not necessarily be carried at cost less accumulated depreciation.</p> <p>2) No current assets held for sale will be recorded as such as part of current assets and will be recorded at the lower of carrying amount and fair value less costs to sell.</p> <p>3) Impairment losses in respect of non current assets held for sale will be recorded in the Statement of Financial Performance if such impairment losses exist.</p>
IFRS 7 (AC 144)	Financial instruments: disclosures	Entire standard to be replaced by IAS 32 (AC 125) issued August 2006 and effective for financial statements covering periods beginning on or after 1 January 1998	Y	<p>1) Financial instruments should be grouped into classes of similar instruments and, when disclosures are required, make disclosures by class. The two main categories of disclosures are:</p> <ul style="list-style-type: none"> <li>➤ Information about the significance of financial instruments.</li> <li>➤ Information about the nature and extent of risks arising from</li> </ul>	<p>The Financial statements should disclose the financial instruments grouped into classes of similar instruments and also disclose the significance of financial instruments as well as the nature and extent of risk arising from financial instruments.</p>

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